
Main Street Lending Program Overview

The “Main Street Business Lending Program” is the latest federal program to provide loans to companies struggling to fund payroll and other business expenses as a result of COVID-19. The program will provide credit to small and medium size businesses through private lenders. Banks will retain a five percent share, selling the remaining 95 percent to the federal “Main Street Facility,” which will purchase up to \$600 billion of loans. The following information is based on preliminary information released by the Federal Reserve Bank.

Who is eligible?

The borrower will need to certify that the financing was necessary due to COVID-19.

Eligibility is based on one of two factors:

- 2019 employment size (10,000 or less employees) OR
- 2019 annual revenues (\$2.5 billion or less)

While the Coronavirus Aid, Relief, and Economic Security (CARES) Act suggested there would be a minimum employee threshold of 500 employees for this program, the latest information released by the Federal Reserve does not set such a floor.

What are the loan terms?

The current information suggest:

- Four-year term with an adjustable interest rate plus 2.5%-4.0%
- Deferment of principal and interest payments for one year
- Minimum loan is \$1 million and cannot exceed \$25 million for the Main Street New Loan Facility. (A separate Main Street program for expanding existing loans has a higher cap)

What can this loan be used for?

The program is still under design, but according to the Federal Reserve Bank, firms seeking Main Street loans must commit to make “reasonable efforts” to maintain payroll and retain workers.

Can a business use a Main Street Lending Program loan if they already received a Paycheck Protection Program loan?

Participation in the Payroll Protection Program does not impact eligibility for this program.

Are there any restrictions on borrowers?

The borrower cannot use the loan to repay or refinance pre-existing loans and existing lines of credit made by the eligible lender. Borrowers are also subject to certain restrictions, pursuant to the CARES Act, including:

- Prohibition on stock buybacks or paying dividends until one year after Main Street loan is repaid
- Limitations on executive compensation and severance pay

The program is expected to roll out later this month. A public comment period is underway through April 16. More information can be found [here](#).