Reinhart

Main Street Lending Program: Open for Business

The Main Street Lending Program (Program) is intended to facilitate lending to small and mid-sized businesses that were in sound financial condition prior to the onset of the COVID 19 pandemic. The Program became fully operational on July 6, 2020.

For a deep dive into the details of the Program, see our summary reflecting the most recent guidance.

Under the Program, eligible lenders will originate new term loans (or expand the size of an existing credit facility) to eligible borrowers. A special purpose vehicle (SPV) funded by the Federal Reserve Bank of Boston will then purchase a 95 percent participation in such loans, and lenders will retain 5 percent. The purchases by the SPV are capped at $600 billion and will cease on September 30, 2020, unless the Program is extended.

There are three categories of Main Street loans, and the loan sizes range from $250,000 to $300 million. Each Main Street loan is a term loan with a five-year maturity, and the interest rate is LIBOR plus 3 percent.

Unlike Paycheck Protection Program (PPP) loans, Main Street loans are full-recourse loans and are not forgivable. That said, payments of principal are deferred for two years, interest is deferred for one year, and the Program provides a specific amortization schedule.

The lender is expected to conduct an assessment of each potential borrower's financial condition. The mere fact that a company is eligible under the Program does not mean that a lender must approve a Main Street loan or entitle the company to the maximum loan amount.

In considering participation in the Program, borrowers and lenders should:

- Determine their eligibility for the Program. For borrowers, one of the requirements is that the company (a) has 15,000 employees or fewer; or (b) had 2019 annual revenues of $5 billion or less. Non-bank lenders are not eligible lenders under the Program.
- Confirm that they can make the required borrower and lender certifications and covenants under the Program. For example:

POSTED:

Jul 9, 2020

RELATED PRACTICES:

Banking and Finance

https://www.reinhartlaw.com/practices/banking-and-finance

RELATED PEOPLE:

Robert J. Heinrich

https://www.reinhartlaw.com/people/robert-heinrich

- The borrower must certify that it will not repay existing debt while the Main Street loan is outstanding, unless such debt is mandatory and due. Note that there are certain exceptions for refinancing of existing debt.
  - A borrower must abide by various limits on these points that apply under the CARES Act.
- Calculate the size of the proposed Main Street loan. Within the broad range listed above, there are also caps based on the borrower's leverage – and in some cases also based on the leverage of the borrower's affiliates.
- Analyze the borrower's existing loan documents and other material agreements to determine how a Main Street loan might impact, and require amendments to, such documents.

If you have any questions about the Program or your eligibility to participate as a borrower or a lender, please contact your Reinhart attorney.

Please visit Reinhart's [Coronavirus Resource Center] for up-to-date information. New articles are added daily.