

# CARES Act Main Street Loan Facilities Now In Place



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Under the Coronavirus Aid, Relief and Economic Security Act (CARES Act), the Federal Reserve System was given the discretion to create a Main Street Lending Program to support small and mid-sized businesses. On Thursday, April 9, 2020, the Federal Reserve released the terms of the Main Street New Loan Facility and the Main Street Expanded Loan Facility providing up to \$600 billion in aid to eligible borrowers.

These programs offer loans to companies employing up to 10,000 employees or with revenues of less than \$2.5 billion that were in good standing before the coronavirus pandemic. Each eligible borrower must be created or organized in the United States with significant operations and a majority of its employees based in the United States. Eligible borrowers that participate in one of the Main Street Lending Programs cannot also participate in the other Main Street Lending Program or the Primary Market Corporate Credit Facility.

The loans will have a term of 4 years and will bear interest at adjustable rate based on the Secured Overnight Financing Rate (SOFR) plus 250-400 basis points, with a minimum loan size of \$1,000,000. Principal and interest payments will be deferred for one year. These loans may be prepaid without penalty. Each eligible borrower must refrain from using the proceeds to repay other loan balances and other debt of equal or lower priority. Eligible borrowers must make several attestations to qualify for a loan under these program, which are as follows:

- Eligible borrower requires financing due to the exigent circumstances presented by the coronavirus pandemic, and using the proceeds of the loan, the eligible borrower will make reasonable efforts to maintain its payroll and retain its employees during the term of the loan.
- Eligible borrower's existing outstanding and committed but undrawn debt does not exceed 6 times the eligible borrower's 2019 earnings before interest, taxes, depreciation and amortization (EBITDA) if obtaining a loan under the Main Street Expanded Loan Facility, or such debt does not exceed 4 times the eligible borrower's EBITDA if obtaining a loan under the Main Street New Loan Facility.
- Eligible borrower will follow the compensation, stock repurchase and dividend restrictions that apply to the direct loan programs under the CARES Act.
- Eligible borrower may not be a "covered entity" under Section 4019(b) of the CARES Act. [See our April 6, 2020 alert for more detail on these last attestations.](#)

The maximum loans available under each of the Main Street Lending Programs are as follows:

#### **Main Street New Loan Facility**

Lesser of:

- \$25,000,000; or

- An amount that, when added to the borrower's existing outstanding and committed but undrawn debt, does not exceed 4 times the borrower's 2019 EBITDA.

#### **Main Street Expanded Loan Facility**

Lesser of:

- \$150,000,000;
- 30% of the eligible borrower's existing outstanding and committed but undrawn bank debt; or
- An amount that, when added to the borrower's existing outstanding and committed but undrawn debt, does not exceed 6 times the borrower's 2019 EBITDA.

The Main Street Lending Programs authorizes eligible lenders to originate new Main Street loans or use Main Street loans to increase the size of existing loans to businesses. Under the Main Street Lending Programs, eligible lenders include U.S. insured depository institutions, U.S. bank holding companies and U.S. savings and loan holding companies. Eligible lenders will retain a 5% share of the loans and sell the remaining 95% to the Main Street special purpose vehicle created by the Main Street Lending Program. The Federal Reserve are seeking input and comments from lenders, borrowers and other stakeholders regarding the Main Street Lending Programs until April 16th.

Read the [Federal Reserve Term Sheets for the Main Street Lending Programs](#).