BERGER SINGERMAN
FLORIDA'S BUSINESS LAW FIRM

CLIENT ALERT - COVID-19: FEDERAL RESERVE ANNOUNCES EXPANDED MAIN STREET LENDING PROGRAM SOON TO BE OPEN

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By: Dawn M. Meyers

On Monday afternoon, the Federal Reserve announced changes to the Main Street Lending Program (MSLP or the "Program") designed to allow more small and medium-sized businesses to receive support. For those of us who have been following this Program for months, perhaps the most important part of the Fed's Monday announcement was the Board's statement that the Program would be "open for lender registration soon" and that once lenders have successfully registered for the Program, they are "encouraged to begin making Main Street loans immediately." The following is a summary of the changes to the MSLP:

- The term for all MSLP loans (New Loans, Priority Loans and Expanded Loans) has been extended from 4 years to 5 years.
- The minimum size loan for New Loans and Priority Loans has been reduced from $500,000 to $250,000. The minimum size loan for Expanded Loans remains at $10 million.
- The maximum loan amount for New Loans is the lesser of $35 million (up from $25 million), or an amount that, when added to outstanding and undrawn available debt, does not exceed 4 times adjusted EBITDA.
- The maximum loan amount for Priority Loans is the lesser of $50 million (up from $25 million), or an amount that, when added to outstanding and undrawn available debt, does not exceed 6 times adjusted EBITDA.
- The maximum loan amount for Expanded Loans is the lesser of $300 million (up from $200 million), or an amount that, when added to outstanding and undrawn available debt, does not exceed 4 times adjusted EBITDA.
- Risk retention for all MSLP loans is 5%. Previously, Priority Loans had a risk retention of 15%.
- Repayment of New Loans was previously deferred for one year, with payments of 33% due in each of the successive 3 years.
- Repayment of principal on New Loans is now deferred for 2 years, with repayment in years 3-5 of 15%, 15% and 70% respectively.
- Repayment of Priority Loans and Expanded loans were previously deferred for one year, with payments of 15%, 15% and 70% due in years 2-4. Now repayment of principal on Priority and Expanded loans is

deferred for 2 years, with repayment in years 3-5 of 15%, 15% and 70% respectively.

- Interest payments on all MSLP loans are deferred for one year.
- The interest rate on MSLP loans remains LIBOR plus 3%.

We are continuing to monitor the President's action on the Flexibility Act, and to assess the Act and its impact on existing and future PPP borrowers.

The COVID-19 pandemic continues to create rapidly-changing issues for businesses, and government aid processes and measures designed to assist businesses may also change materially from when this Client Alert is issued. We therefore encourage you to monitor our website, review our future Client Alerts and generally remain alert for additional updates or modifications to laws and regulations.

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