BERGER SINGERMAN
FLORIDA'S BUSINESS LAW FIRM

CLIENT ALERT - COVID-19: FEDERAL RESERVE ANNOUNCES MAIN STREET LENDING PROGRAM

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By: Dawn M. Meyers

Earlier today, the Federal Reserve announced its much-anticipated Main Street Lending Program. While we await formal details, the following is a brief summary of some of the specifics provided thus far:

- Initial guidance appears to indicate that these loans can be obtained in addition to a Paycheck Protection Program (PPP) loan.
- Main Street loans can be new loans, or an expansion of an existing loan (new tranche).
- Eligible borrowers can have up to 10,000 employees OR up to $2.5 billion in 2019 annual revenues. As a result, businesses which did not qualify for one of the SBA loan programs might be able to avail themselves of this Program.
- “Most” of the borrower’s employees have to be based in the United States.
- The loans are for 4 years with principal and interest deferred for 1 year.Interest rates are between 2.5 and 4%.
- The minimum loan size is $1 million.
- The maximum loan amount for a new loan is the lesser of $25 million or the amount that when added to the borrower’s existing and committed but undrawn debt does not exceed 4 times borrower’s 2019 earnings before interest, taxes, depreciation and amortization. The maximum loan amount for an upsized tranche of an existing loan is the lesser of $150 million, 30% of the 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 EBITDA.
- There is no prepayment penalty.
- Generally speaking, the borrower cannot use it to repay or refinance pre-existing loans.
- Distinct from the PPP, the borrower certification relating to employee retention merely states that the borrower will use “reasonable efforts” to maintain payroll and retain its employees during the term of the loan.

We expect further details and clarification on this Program in the coming days and this information will be updated accordingly.

The COVID-19 pandemic is creating 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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Dawn M. Meyers