

Federal Reserve announces creation of Main Street Lending Program

The CARES Act



Jeff Van Winkle | Saturday, May 2, 2020

On April 30, 2020, the Federal Reserve announced the creation of the Main Street Lending Program (Program), following the April 9, 2020 release by the Federal Reserve. The Program establishes loan programs as authorized under Title IV of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Program is intended to assist smaller and medium-sized businesses that were sound financially before the COVID-19 pandemic and that need financing alternatives. Businesses that were unable to access Payroll Protection Program (PPP) funding or require additional funding after receiving a PPP loan may also access the Program.

The Program includes three facilities, the Main Street New Loan Facility (MSNLF), the Main Street Priority Loan Facility (MSPLF) and the Main Street Expanded Loan Facility (MSELF). All three facilities use the same eligible borrower criteria and have many similar features, including the same maturity, interest rate, deferral of principal and interest for one year, and ability of the borrower to prepay without penalty. However, the loan opportunities differ in some requirements, including requirements on the eligible borrower's existing outstanding debt.

Eligible lenders may be U.S. federally insured depository institutions; nonbank financial institutions will not be permitted as eligible lenders. Eligible lenders may establish requirements for loan eligibility but all borrowers will be required to meet certain minimum requirements for each loan. The business must:

1. Be established prior to March 13, 2020
2. Not be an ineligible business as listed in 13 CFR 120.110(b)-(j), (m)-(s)

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3. Meet one of the following two conditions: (a) the business has 15,000 employees or less or (b) the business has 2019 annual revenues of \$5 billion or less
4. Be created or organized in the United States or under the laws of the United States
5. Only participate in one of the Program facilities
6. Not have received support pursuant to section 4003(b)(1)-(3) of the CARES Act (airline industry assistance)
7. Meet the individual requirements for the applicable loan type

The Federal Reserve has prepared term sheets for each of the loan facilities, which can be accessed at the following links: [MSNLF](#), [MSPLF](#), and [MSELF](#).

Even if a business meets the minimum borrower requirements, eligible lenders are expected to apply their own underwriting standards in evaluating the financial conditions and creditworthiness of each potential borrower.

As of May 1, 2020, no start date for the Program has been announced. McDonald Hopkins will continue to follow all updates related to the Program and provide additional information as it becomes available.

If you need assistance or have any questions with respect to the Main Street Lending Program or the requirements for any of the three available facilities, please contact one of the attorneys listed below.



Jeff Van Winkle

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