Monday, May 11, 2020

To: Forbes Tate Partners
From: Research and Policy Analysis (RPA)
Subject: Main Street Relief Programs

Overview of Main Street Relief Programs

Background

On April 30th, the Federal Reserve (Fed) released guidance on its Main Street Lending Program (MSLP) including the three lending vehicles that the Fed will use to implement the program. The goal of this guidance was largely to better facilitate MSLP to small-and-medium sized enterprises but also better define restrictions on borrower eligibility. In contrast to programs such as the Paycheck Protection Program (PPP), MSLP loans are not forgivable. The full FAQ on MSLP from the Fed website is linked here.

Borrower Eligibility and Restrictions

As outlined below, there are several differences between these programs but there are extensive similarities. Perhaps most notably, the same Borrower Eligibility applies to all three programs. Eligible borrowers must match the following criteria. Additional details on the eligibility criteria are included in the linked FAQ above.

1. The business must be established prior to March 13, 2020.
2. The business must not be considered an ineligible business under Small Business Administration (SBA) lending criteria. However, traditionally ineligible businesses that are eligible under modified SBA guidance related to the PPP are also eligible for the MSLP.
3. The business must meet one of the following criteria:
    a. Has 15,000 employees or fewer
    b. Has 2019 annual revenues of $5 billion or less
4. The businesses must be created or organized in the U.S. with significant operations and a majority of their employees in the U.S.
5. The business may only participate in one of the three MSLP vehicles and cannot also participate in the Primary Market Corporate Credit Facility (PMCCF).
6. The business must be able to make the required certifications and convenient required by the specific lending vehicle. The majority of these covenants are the same but there are several differences with one notable one for borrowers: the Main Street Expanded

Loan Facility allows a Eligible Borrower to refinance existing debt owed to a lender that is not the Eligible Lender at the time the MSPLF Loan is originated.

Non-profit organizations are currently not eligible for the MSLP, but the Fed and the Treasury Department has stated they "will be evaluating the feasibility of adjusting the borrower eligibility criteria and loan eligibility metrics of the Program for such organizations."

Additional Notes

For calculating employees to meet eligibility requirements, the Fed FAQ directs employers to utilize SBA criteria. This includes counting all full-time, part-time and seasonal employees for the business and affiliates. The business is directed to "use the average of the total number of persons employed by the Eligible Borrower and its affiliates for each pay period over the 12 months prior to the origination or upsizing of the Main Street loan." For calculating revenue to meet eligibility requirements, businesses may use either 2019 Generally Accepted Accounting Principles-Based (GAAP) audited financial statements or annual receipts for fiscal year 2019 as reported to the Internal Revenue Service (IRS).

The full Main Street New Loan Facility (MSNLF) term sheet is linked here. The full Main Street Priority Loan Facility (MSPLF) term sheet is linked here. The full Main Street Expanded Loan Facility (MSELF) term sheet is linked here. Please refer to these documents for the full criteria and details of each possible loan. As noted above, a borrower may only participate in one program.

All three program loans have a 4-year maturity and have an adjustable interest rate of LIBOR (1 or 3 month) plus 300 basis points. Prepayment on all three programs is also permitted without penalty. One notable difference between the programs includes the minimum loan amount with the MSNLF and MSPLF having a $500,000 minimum while the MSELF has a $10,000,000 minimum.