

LEGAL UPDATES

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Service

Banking & Finance

Professionals

KIRSTIN P. SALZMAN
KANSAS CITY:
816.983.8316
KIRSTIN.SALZMAN@
HUSCHBLACKWELL.COM

BRYCE NAVARRO
KANSAS CITY:
816.983.8342
BRYCE.NAVARRO@
HUSCHBLACKWELL.COM

NATE VOLZ
MILWAUKEE:
414.978.5428
NATE.VOLZ@
HUSCHBLACKWELL.COM

Expanded Borrower Support Under the Main Street Lending Program

In an effort to provide more support for small and medium-sized businesses, on June 8, 2020, the Federal Reserve Board (Board) revised the terms of its “Main Street Lending Program” (Program). The significant changes include:

Lowering the minimum loan size for “new” and “priority” loans to \$250,000 from \$500,000;

Increasing the maximum loan size for all facilities;

Increasing the term of each loan option to five years, from four years;

Extending the repayment period for all loans by delaying principal payments for two years, rather than one; and

Raising the Reserve Bank’s participation to 95% for all loans.

The following chart provides additional detail on the above changes:

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Main Street Lending Program Loan Options	New Loans	Priority Loans	Expanded Loans
Term	5 years <i>(previously 4 years)</i>		
Minimum Loan Size	\$250,000 <i>(previously \$500,000)</i>		\$10M
Maximum Loan Size	The lesser of \$35M, or an amount that, when added to outstanding and undrawn available debt, does not exceed 4.0x adjusted EBITDA <i>(previously \$25M)</i>	The lesser of \$50M, or an amount that, when added to outstanding or undrawn available debt, does not exceed 6.0x adjusted EBITDA <i>(previously \$25M)</i>	The lesser of \$300M, or an amount that, when added to outstanding or undrawn available debt, does not exceed 6.0x adjusted EBITDA <i>(previously \$200M)</i>
Risk Retention	5%	5% <i>(previously 15%)</i>	5%
Principal Repayment	Principal deferred for two years, years 3-5: 15%, 15%, 70% <i>(previously principal deferred for one year and 33.33% repayment due in years 2-4)</i>	Principal deferred for two years, years 3-5: 15%, 15%, 70% <i>(previously principal deferred for one year and 15%, 15%, 70% repayment due in years 2, 3, and 4, respectively)</i>	
Interest Payments	Deferred for one year		
Rate	LIBOR + 3%		

Although the Board has yet to open the Program for lender registration, it expects to do so soon. Moreover, the Board announced that it is working on establishing a lending program for nonprofit organizations (which are ineligible under the Program). In the meantime, borrowers should reach out to their existing lenders and discuss whether they intend to participate in the Program and how they can best be positioned to access those loans once the Program officially launches.

Previous updates

For additional background on the Program, please see our earlier guidance:

Main Street Lending Program: An Overview (April 9, 2020)

Changes to the Main Street Lending Program (May 1, 2020)

(Another) Main Street Lending Program Update (June 1, 2020)

Contact us

The Husch Blackwell team continues to monitor these developments. For further information regarding this update, please contact Kate Bechen, Kirstin Salzman, Robin Lehninger, Bryce Navarro, Nate Volz or your Husch Blackwell attorney.

Comprehensive CARES Act and COVID-19 guidance

Husch Blackwell's CARES Act resource team helps clients identify available assistance using industry-specific updates on changing agency rulemakings. Our COVID-19 response team provides clients with an online legal toolkit to address challenges presented by the coronavirus outbreak, including rapidly changing orders on a state-by-state basis. Contact these legal teams or your Husch Blackwell attorney to plan a way through and beyond the pandemic.