

Insights

BOSTON FED RELEASES UPDATED FAQs, FORMS AND AGREEMENTS RELATED TO THE MAIN STREET LENDING PROGRAM

Jun 17, 2020

SUMMARY

On June 26, the Federal Reserve Bank of Boston (the “**Boston Fed**”) released updated and revised [Frequently Asked Questions](#) regarding the Federal Reserve’s Main Street Lending Program (“**MSLP**”). On June 11, the Boston Fed released [updated and revised documentation](#) with respect to the MSLP.

The Main Street Lending Program is fully operational as of July 6, 2020, and the links below have been updated as of July 13, 2020.

Definitions:

1. “New Loans” are those MSLP loans originating on or after April 24, 2020 in a minimum principal amount of \$250,000 up to a maximum principal amount that is the lesser of (i) \$35 million or (ii) an amount that, when added to the borrower’s existing outstanding and undrawn available debt, is less than or equal to 4.0x the borrower’s 2019 adjusted EBITDA.
2. “Priority Loans” are those MSLP loans originating on or after April 24, 2020 in a minimum principal amount of \$250,000 up to a maximum principal amount that is the lesser of (i) \$50 million or (ii) an amount that, when added to the borrower’s existing outstanding and undrawn available debt, is less than or equal to 6.0x the borrower’s adjusted 2019 EBITDA.
3. “Expanded Loans” are those upsized tranches of the borrower’s existing loans (those loans originated before April 24, 2020) ranging from a minimum principal amount of \$10 million up to a maximum principal amount that is the lesser of (i) \$300 million or (ii) an amount that, when added to the borrower’s existing outstanding and undrawn available debt, is less than or equal to 6.0x the borrower’s adjusted 2019 EBITDA.

Significant Revised Terms in the Updated Forms include:

1. Five year terms for New, Priority and Expanded Loans (up from the original four year term);
2. The Boston Fed intends to purchase 95% participations in each MSLP loan submitted for purchase (up from 85% for Priority Loans);
3. Principal payments are deferred for two years (up from one year);
4. The minimum loan size for New and Priority Loans is \$250,000 (down from the previous minimum of \$500,000); and
5. The maximum loan amounts for (i) New Loans is \$35 million (up from \$25 million), (ii) Priority Loans is \$50 million (up from \$25 million), and (iii) Expanded Loans is \$300 million (up from \$200 million).
6. Clarification that MSLP loans previously originated will be considered to be in compliance with the newly revised terms, if they were in compliance with the terms in place at the time of origination.
7. Clarification that if a borrower is the only business applying for an MSLP loan in that borrower's affiliated group, only the borrower's and its subsidiaries' EBIDTA will be counted for terms of lending.

Summary of MSLP Terms and Requirements:

We have created a [table that provides a summary of the updated terms and requirements for MSLP loans](#).

For those interested, please see the Fed's [updated MSLP term sheets](#). The [revised documentation](#) is subject to further Fed revision. In addition, our earlier alerts regarding the MSLP can be found at the following links: [June 2](#), [May 7](#) and [April 15](#).

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