The Federal Reserve Board announced Thursday that it is expanding the scope and eligibility for its Main Street Lending Program. The changes are designed to offer more options to a wider set of eligible small and medium-size businesses. The Fed said that the starting date for the program will be announced soon.

The Main Street program is intended to provide support for small and mid-size businesses that were in good financial standing before the onset of the COVID-19 crisis. It will offer 4-year loans to companies employing up to 15,000 workers or with revenues up to $5 billion. Principal and interest payments will be deferred for one year.

Eligible banks may originate Main Street loans or use Main Street loans to increase the size of existing loans to businesses. Banks will retain a 5 percent to 15 percent share of the loans, selling the remainder to the Fed's Main Street facility, which will purchase up to $600 billion of loans.

Firms seeking Main Street loans must commit to make reasonable efforts to maintain payroll and retain workers. Borrowers must also follow compensation, stock repurchase, and dividend restrictions that apply to direct loan programs under the CARES Act. Firms that have applied for loans through the Small Business Administration's Paycheck Protection Program may also take out Main Street loans.

The changes announced Thursday include:

- Creating a third loan option, with increased risk sharing by lenders for borrowers with greater leverage;
- Lowering the minimum loan size in certain cases to $500,000; and
- Expanding the pool of businesses eligible for the program.

Under the new loan option, lenders would retain a 15 percent share of loans that, when added to existing debt, do not exceed six times a borrower's income, adjusted for interest payments, taxes, and depreciation and other appropriate adjustments. This compares to the existing loan options, which have different features and for which lenders retain a 5 percent share of the loans. Under all of the loan options, lenders will be able to apply their industry-specific expertise and underwriting standards to best measure a borrower's income, according to the Federal Reserve. In total, three loan options - termed new, priority, and expanded - will be available for businesses. The chart below summarizes these options.

Main Street Lending Program Loan Options	New Loans	Priority Loans	Expanded Loans
Term	4 years	4 years	4 years
Minimum Loan Size	$500,000	$500,000	$10,000,000
Maximum Loan Size	Lesser of $25M or 4x 2019 adjusted EBITDA	Lesser of $25M or 6x 2019 adjusted EBITDA	Lesser of $200M, 35% of outstanding and undrawn available debt, or 6x 2019 adjusted EBITDA
Risk Retention	5%	15%	5%
Payment (year one deferred for all)	Years 2-4: 33.33% each year	Years 2-4: 15%, 15%, 70%	Years 2-4: 15%, 15%, 70%
Rate	LIBOR + 3%	LIBOR + 3%	LIBOR + 3%

In addition, the Federal Reserve indicated Thursday that it is evaluating a separate approach to assist nonprofit organizations.

RBT CPAs will provide additional information regarding the Main Street program and other financial assistance programs as it becomes available. If you have any questions, please contact us.