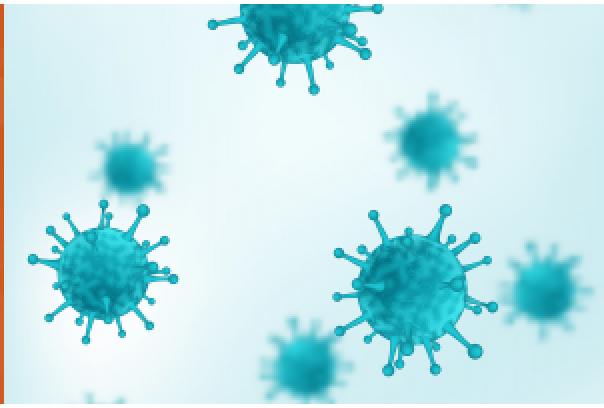
COVID-19 Alert: Changes to the Main Street Lending Program



Federal Reserve Expands the Main Street Lending Program

By:Timothy P. Manning
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On June 8, 2020, the Federal Reserve (the "Federal Reserve") made changes to the Main Street Lending Program (the "Program") with the intent to allow more small and medium-sized businesses to be able to receive support under the Program. The Federal Reserve stated that it expects the Program to be open for lender registration soon and to be actively buying loans shortly afterwards. The Federal Reserve also reiterated that it is working to establish a program for non-profit organizations.

The changes to the Program include:

- Lowering the minimum loan size for certain loans to $250,000 from $500,000;
- Increasing the maximum loan size for the three 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 Federal Reserve's participation to 95% for all loans.

The revised term sheets for the Main Street New Loan Facility (MSNLF), the Main Street Expanded Loan Facility (MSELF) and the Main Street Priority Loan Facility (MSPLF), and the updated Frequently Asked Questions document ("FAQ") can be found here.

A summary of these term sheets and Programs can be found in our prior Alerts, which are available here and here.

The Federal Reserve provided the following chart to highlight the new changes.

Main Street Lending Program Loan Options	**New Loans (MSNLF)**	**Priority Loans (MSPLF)**	**Expanded Loans (MSELF)**
Term	5 years *(previously 4 years)*	5 years *(previously 4 years)*	5 years *(previously 4 years)*
Minimum Loan Size	$250,000 *(previously $500,000)*	$250,000 *(previously $500,000)*	$10,000,000
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 *(previously $25M)*	The lesser of $50M, or an amount that, when added to outstanding or undrawn available debt, does not exceed 6.0x adjusted EBITDA *(previously $25M)*	The lesser of $300M, or an amount that, when added to outstanding or undrawn available debt, does not exceed 6.0x adjusted EBITDA *(previously $200M)*
Risk Retention by Eligible Lenders/Fed Participation	5%/95%	5%/95% *(previously 15%/85%)*	5%/95%

Principal Repayment	Principal deferred for two years, years 3-5: 15%, 15%, 70% (*previously principal deferred for one year and 33.33% repayment due in years 2-4*)	Principal deferred for two years, years 3-5: 15%, 15%, 70% (*previously principal deferred for one year and 15%, 15%, 70% repayment due in years 2, 3, and 4, respectively*)	Principal deferred for two years, years 3-5: 15%, 15%, 70% (*previously principal deferred for one year and 15%, 15%, 70% repayment due in years 2, 3, and 4, respectively*)
Interest Payments	Deferred for one year	Deferred for one year	Deferred for one year
Interest Rate	LIBOR + 3%	LIBOR + 3%	LIBOR + 3%

Morse will continue to follow developments related to the Program, and will report as appropriate.

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