

Federal Reserve Bank of Boston Updates Frequently Asked Questions on Main Street Lending Program

Over the past week, the Federal Reserve Bank of Boston hosted an "Ask the Fed" webinar with prospective borrowers and lenders, and [updated frequently asked questions](#) to refine its guidance on the Main Street Lending Program ("Main Street"). The U.S. Federal Reserve has instructed the Federal Reserve Bank of Boston to coordinate and lead implementation of the MSLP through three (3) lending facilities: the Main Street New Loan Facility (the "MSNLF"); the Main Street Priority Loan Facility (the "MSPLF"); and the Main Street Expanded Loan Facility (the "MSELF"). The goal of the program remains to provide new credit to businesses struggling due to restrictions in place to combat the spread of COVID-19. See below for select highlights.

EBITDA

When calculating EBITDA in the course of determining the size of a MSNLF or MSPLF loan, the lender must use a calculation methodology applied to similarly situated borrowers. However, under the MSELF program, the lender must apply the same calculation methodology used when originating or amending the underlying loan, and, if multiple methodologies were previously used, then the lender must apply the most conservative methodology.

Loan Payment

For MSNLF, no principal is paid in the first year, and the loan will be amortized over the remaining term of the loan, with one-third of principal due at the end of each of years two and three, and one-third due at maturity at the end of year four.

For MSPLF and MSELF, no principal is paid in the first year, and the loan is amortized over the remaining term of the loan, with 15 percent of principal due at the end of year two, 15 percent of principal due at the end of year three, and a balloon payment of 70 percent of principal due at maturity at the end of year four.

Collateral

MSNLF loans, MSPLF loans, and MSELF Upsized Tranches may be secured or unsecured, but an MSELF Upsized Tranche must be secured if the underlying loan is secured, and the collateral securing the underlying loan must secure the MSELF Upsized Tranche on a *pari passu* basis.

Fees

For MSNLF and MSPLF, lenders must pay Main Street special-purpose vehicle ("SPV") a transaction fee of 100 basis points of the principal amount of the loan at the time of origination, and may pass on this fee to borrowers. Meanwhile, for MSELF loans, lenders must pay Main Street SPV a transaction fee of 75 basis points of the principal amount of the MSELF Upsized Tranche at the time of upsizing, and may pass on this fee to borrowers.

Restrictions on Repayment of Existing Debt

Debt repayment covenants generally prohibit the borrower from repaying the principal balance of, or paying any interest on, any debt until the Main Street loan is repaid in full, unless the principal or interest payment is "mandatory and due." However, there is a minor exception for the MSPLF, which holds that the borrower may, at the time of origination of the MSPLF loan, refinance existing debt owed to a lender that is not the eligible lender disbursing the Main Street loan.

Commercially Reasonable Efforts

Borrowers should undertake good-faith efforts to maintain payroll and retain employees, in light of its capacities, the economic environment, its available resources, and the business need for labor. Borrowers that have already laid-off or furloughed workers as a result of the disruptions from COVID-19 are eligible to apply for Main Street loans.

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