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Subject: Important Information: \$600 Billion Main Street Lending Program

On Thursday, April 9, the Federal Reserve Board published details on the previously announced Main Street Lending Program (MSLP), which is designed to facilitate lending to small and medium-size businesses.

Following is a brief overview:

- **Up to \$600 billion of MSLP loans will be available. MSLP eligibility caps are significantly higher than those of the Payroll Protection Program (PPP), a different program exclusively for small businesses administered by the Small Business Administration.**
- Borrowers under the MSLP must attest that they require financing due to exigent circumstances presented by the COVID-19 pandemic, must commit to making reasonable efforts to maintain their payrolls and retain their employees.
- Loans under the MSLP may be made by any US-insured depository institution, bank holding company, or S&L holding company. Lenders may either originate a new MSLP loan or use an MSLP loan to increase the size of existing loans.
- All MSLP loans will have a four-year term, with the amortization of principal and interest deferred for one year. Interest will be at an adjustable rate equal to the SOFR (secured overnight financing rate) plus between 250 and 400 basis points. The SOFR, as of March 8, 2020, was 0.01%.
- **The minimum MSLP loan amount is \$1 million, and the maximum amount varies depending on whether the MSLP loan is a new loan or is being used to increase the size of an existing loan.**
- A new special purpose vehicle (SPV) will purchase at face value 95% of each MSLP loan, using funds borrowed by the SPV from the Federal Reserve. The lending institution will retain the remaining 5%. The Treasury Department will capitalize the SPV with an equity investment of \$75 billion, using funds appropriated under the CARES Act. MSLP borrower will pay the lending institution an origination fee of 100 basis points.
- The lending institution will pay the SPV a facility fee (equal to 100 basis points of the principal amount of the loan participation purchased by the SPV). The lending institution may require the borrower to pay this fee. The SPV will cease purchasing participations in MSLP loans on September 30, 2020 (unless the Federal Reserve and the Treasury Department extend the deadline).

In the coming days it is expected that the Federal Reserve and participating lenders will provide guidance on the borrowing process. In the meantime, it may make sense to initiate discussions with your existing lender. In all circumstances, practices will need to evaluate how borrowing a loan under the MSLP could impact their rights under any existing loan documents