

# NAM Overview:

## Main Street Business Lending Program and Additional Federal Reserve Lending Facilities

On April 9, 2020, the U.S. Department of the Treasury and the Federal Reserve announced procedures and facilities by which the Fed will distribute \$2.3 trillion in additional liquidity to the U.S. economy. For businesses, these actions include the creation of a new Main Street Business Lending Program and expansions of the Fed's existing Primary Market Corporate Credit Facility, Secondary Market Corporate Credit Facility and Term Asset-Backed Securities Loan Facility. The Fed will also offer term financing to financial institutions originating Paycheck Protection Program loans and establish a new facility to provide loans to states, counties and cities.

- Treasury will invest \$75 billion into the Fed's new Main Street Business Lending Program to enable up to \$600 billion in loans to small and medium-sized businesses.
- Treasury will invest \$85 billion into the Fed's existing Primary Market Corporate Credit Facility, Secondary Market Corporate Credit Facility and Term Asset-Backed Securities Loan Facility to support \$850 billion in liquidity for businesses.
- Treasury will invest \$35 billion into the Fed's new Municipal Liquidity Facility, which will offer up to \$500 billion in lending to states and municipalities.
- The Fed will support the Small Business Administration's PPP by extending credit to eligible financial institutions that originate PPP loans.

## MAIN STREET BUSINESS LENDING PROGRAM

### How will the Main Street Business Lending Program work?

The program is split into two lending facilities—the Main Street New Loan Facility and the Main Street Expanded Loan Facility. Collectively, the two facilities will offer up to \$600 billion in liquidity. Through the two facilities, banks will be able to originate new Main Street loans or use Main Street loans to increase the size of existing loans to businesses.

### What businesses are eligible for the Main Street Business Lending Program?

Businesses are eligible to participate in the program if they have fewer than 10,000 employees or had less than \$2.5 billion in annual revenues in 2019.

In addition, businesses must be created or organized in the United States or under the laws of the United States. They must also have significant operations, and a majority of their employees based, in the United States.

Businesses can participate in only one of the Main Street New Loan Facility and the Main Street Expanded Loan Facility. Participants in the Main Street program cannot participate in the Primary Market Corporate Credit Facility.

Businesses that have received loans under the PPP can participate in the Main Street Business Lending Program.

## What are the loan terms under the Main Street Business Lending Program?

Loans will be offered with a four-year maturity period. Principal and interest payments will be deferred for the first year.

For new loans offered under the Main Street New Loan Facility, the maximum loan size is the lesser of (i) \$25 million or (ii) an amount that, when added to the business's existing outstanding and committed but undrawn debt, does not exceed four times its 2019 EBITDA.

For upsized loan tranches offered under the Main Street Expanded Loan Facility, the maximum loan size is the lesser of (i) \$150 million, (ii) 30% of the business's existing outstanding and committed but undrawn bank debt or (iii) an amount that, when added to the business's existing outstanding and committed but undrawn debt, does not exceed six times its 2019 EBITDA.

The minimum loan size for both facilities is \$1 million.

## Are there restrictions on businesses participating in the Main Street Business Lending Program?

Pursuant to the CARES Act, businesses receiving loans under the Main Street Business Lending Program will be prohibited from engaging in stock buybacks or paying dividends until one year after the date that the Main Street loan is no longer outstanding. They will also be subject to certain executive compensation limitations:

- Any officer or employee whose total compensation exceeded \$425,000 in 2019 will not be eligible for any pay increases above their 2019 compensation until one year after the date that the loan is no longer outstanding. They will also be prohibited, for the same period, from receiving severance pay in excess of twice their 2019 compensation.
- Any officer or employee whose total compensation exceeded \$3 million in 2019 will have their compensation capped at \$3 million plus half of their excess 2019 compensation above \$3 million until one year after the date that the loan is no longer outstanding.

## How can loan funds be used under the Main Street Business Lending Program?

Businesses will be required to attest that they will use the proceeds of the loan to make reasonable efforts to maintain payroll and retain employees during the term of the loan.

Businesses cannot use Main Street loan proceeds to cancel or reduce any existing lines of credit or repay other loan balances. They must commit to refrain from repaying other debt of equal or lower priority, with the exception of mandatory principal payments, until they have repaid the Main Street loan.

## Where can I find more information about the Main Street Business Lending Program?

Top-line information on the program is available in the April 9 press releases from [Treasury](#) and the [Federal Reserve](#). In addition, the Fed has made available term sheets for both the [Main Street New Loan Facility](#) and the [Main Street Expanded Loan Facility](#).

## Additional Lending Facilities

### PRIMARY MARKET CORPORATE CREDIT FACILITY AND SECONDARY MARKET CORPORATE CREDIT FACILITY

Treasury will make a \$75 billion investment to support the Primary Market Corporate Credit Facility (PMCCF) and the Secondary Market Corporate Credit Facility (SMCCF). The initial allocation will be \$50 billion for the PMCCF and \$25 billion for the SMCCF. The investment will enable up to \$750 billion in additional liquidity via the two facilities.

To qualify for the program, businesses must be created or organized in the United States or under the laws of the United States. They must also have significant operations, and a majority of their employees based, in the United States.

Businesses must be rated at least BBB-/Baa3 as of March 22, 2020, by a major nationally recognized statistical rating organization to participate in the program. Businesses that were rated at least BBB-/Baa3 as of March 22, 2020, but are subsequently downgraded must be rated at least BB-/Ba3 at the time the facility makes a purchase.

Businesses cannot participate in the program if they have received specific support pursuant to the CARES Act or any subsequent federal legislation.

Additional information is available via the Fed's term sheets for the [PMCCF](#) and the [SMCCF](#).

### TERM ASSET-BACKED SECURITIES LOAN FACILITY

Treasury will make a \$10 billion investment to support the Term Asset-Backed Securities Loan Facility (TALF), which will facilitate the issuance of asset-backed securities by making up to \$100 billion of loans available.

All U.S. companies that own eligible collateral and maintain an account relationship with a primary dealer are eligible to borrow under the TALF. To qualify for the program, businesses must be created or organized in the United States or under the laws of the United States. They must also have significant operations, and a majority of their employees based, in the United States.

TALF loans will be offered with a three-year maturity period.

Additional information is available via the Fed's [term sheet](#) for the TALF.

### MUNICIPAL LIQUIDITY FACILITY

Treasury will make a \$35 billion investment to support the Municipal Liquidity Facility (MLF), which will purchase up to \$500 billion of short-term notes directly from states, counties with a population of at least 2 million residents and cities with a population of at least 1 million residents. States will be able to use the proceeds to support additional counties and cities.

The facility will be able to purchase notes issued by or on behalf of a state, county or city of up to 20% of its general revenue from fiscal year 2017.

Additional information is available via the Fed's [term sheet](#) for the MLF.

# PAYCHECK PROTECTION PROGRAM LENDING FACILITY

The Paycheck Protection Program Lending Facility (PPPLF) will supply liquidity to financial institutions offering loans via the SBA's PPP. The PPPLF will extend credit to eligible financial institutions that originate PPP loans, taking the loans as collateral at face value.

As of April 9, 2020, the PPP is authorized to make up to \$349 billion in loans available to entities with fewer than 500 employees, including small businesses, nonprofits under Section 501(c)(3) and veterans organizations under Section 501(c)(19). Businesses with more than 500 employees in [certain industries](#) are also eligible. You can learn more about the PPP and other programs via the NAM's [overview document](#).

Additional information is available via the Fed's [term sheet](#) for the PPPLF.