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EXPANSION OF THE MAIN STREET LENDING PROGRAMS: SMALL BUSINESSES & NONPROFIT ORGANIZATIONS

Posted on June 22, 2020 by Michelle F. Schwerin

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A brief history:

On **April 9, 2020**, the Federal Reserve published term sheets for a lending program—known as the Main Street Lending Program—for small and/or mid-size businesses. There were two separate loan programs under the Main Street Lending Program—the **Main Street Lending Program** the **Main Street Expanded Lending Program**.

But on **April 30, 2020**, after receiving and reviewing public input, the Federal Reserve made adjustments to the Main Street Lending Program and Main Street Expanded Lending Program and <u>added a third loan option</u>.

Expansion of the Main Street Lending Programs:

On **June 8, 2020**, further changes were made to allow *even more* small and/or mid-size businesses to participate and receive financial support.

Primarily the Federal Reserve:

- <u>Lowered</u> the *minimum* loan size from **\$500,000** to **\$250,000** for the **New Lending Program** and the **Priority Lending Program** loan options
- Increased the maximum loan size for each of the three loan options
 - New Lending Program: from \$25 Million to \$35 Million
 - Priority Lending Program: from \$25 Million to \$50 Million
 - Expanded Lending Program: from \$200 Million to \$300 Million
- <u>Increased</u> the *term* of a main Street Loan from 4 years to **5 years** for each of the three loan options
- <u>Increased</u> the *deferral period* of principal repayments from 1 year to **2 years** for each of the three loan options

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• <u>Increased</u> the Federal Reserve's participation to purchasing **95%** of Main Street loans from lenders

For a more comprehensive look at each of the **three loans** under the **Main Street Lending Program**, please see our chart <u>here</u>.

Additionally worth nothing, on **June 15, 2020**, the Federal Reserve announced yet another potential expansion of the Main Street Lending Program, for loans to **nonprofit organizations**. All terms currently available under the following **two** Main Street Lending Programs would remain the same for nonprofit organizations—**New Lending Program** and the **Expanded Lending Program**—*except* for **eligibility requirements**.

Eligibility Requirements:

- *Minimum* of **50 employees** and *maximum* of **15,000 employees**;
- Financial thresholds based on operating performance, liquidity, and ability to repay debt;
- An operational history of at least five years;
- A limit on endowments of no more than \$3 Billion; and
- Additionally, each organization must be a tax-exempt organization under section 501(c)(3) or 501(c)(19) of the Internal Revenue Code.