



Coronavirus Aid, Relief, and Economic Security (CARES) Act¹ **About the Section 4000, 13(3) Main Street Lending Facility**

SUMMARY: Section 4003 of the *CARES Act* authorized a Main Street Lending Program to provide needed liquidity to small and medium sized businesses. To implement this section, the Federal Reserve has outlined the program and is seeking comment on its provisions to support the flow of credit to American workers and businesses impacted by the coronavirus pandemic. This program will enable up to \$600 billion in new financing for businesses with up to 10,000 employees or \$2.5 billion in 2019 annual revenues. According to Treasury Secretary Steve Mnuchin, the Main Street Lending Facility will cover 40,000 medium-sized businesses that employ 35 million Americans.

APPLYING: Main Street Lending facility funds will be available through your local bank or lending institution. The Federal Reserve is supporting these loans by purchasing 95% of the outstanding loan value from banks. Thus, in order to benefit from the program, please first contact your bank.

QUALIFICATIONS: You are eligible for a loan if you are a small business, organized with a majority of operations in the U.S., and employing up to 10,000 employees or up to \$2.5 billion in 2019 annual revenues.

LOAN TERMS: Issued loans will have a four-year maturity date with principal and interest payments deferred for one year. Interest rates are adjustable and tied to the Secured Overnight Financing Rate (SOFR), currently at 0.01 percent, plus a margin of between 2.5 percent and 4.0 percent per annum. Loans may be unsecured and there is no prepayment penalty or fee.

Issued loans will be a minimum of \$1 million. The maximum amount is the lesser of:

- (i) \$150 million,
- (ii) 30% of the Eligible Borrower's existing outstanding and committed but undrawn bank debt,
or
- (iii) an amount that, when added to the Eligible Borrower's existing outstanding and committed but undrawn debt, does not exceed six times the Eligible Borrower's 2019 earnings before interest, taxes, depreciation, and amortization ("EBITDA").

ARE LOANS FORGIVEN? No. Unlike the Paycheck Protection Program, loans are not forgivable.

ARE THERE OTHER RESTRICTIONS? Yes. The Federal Reserve has limited the funds in the following ways:

- Borrowers must make reasonable efforts to maintain their current workforce during the loan term.
- Borrowers may not use Main Street Facility Funds to repay or refinance existing debt.
- Lenders and borrowers must maintain existing lines of credit.
- Borrowers may not engage in stock buybacks or issue shareholder dividends for the duration of the loan plus one year. There are small exemptions to these provisions.
- Borrowers must also agree to executive compensation and severance limits.

¹ [H.R. 748](#), the *Coronavirus Aid, Relief, and Economic Security (CARES) Act* (Public Law No. 116-136) was approved unanimously by the Senate on March 25, 2020, then by the House of Representatives on March 27, 2020, and signed into law by President Trump on March 27, 2020.



THE CARES ACT ALSO REQUIRED BORROWERS TO COMMIT TO REMAIN NEUTRAL DURING ANY UNION ORGANIZING EFFORT FOR THE TERM OF THE LOAN. DOES THAT REQUIREMENT APPLY? No. CARES Act specifically recognized the establishment of the Main Street Lending Program, in addition to, and separately from, the mid-sized business facility in section 4003(c)(3)(D)(i), which contains those restrictions.

I RECEIVED ASSISTANCE UNDER THE PAYCHECK PROTECTION PROGRAM (PPP). CAN I APPLY FOR ASSISTANCE HERE? Yes. The programs are not mutually exclusive, so if you meet the requirements of both programs, you can apply to both.

IS THERE A REVENUE LIMITATION? Yes. Businesses can access the facility if they employ up to 10,000 employees or up to \$2.5 billion in 2019 annual revenues.

ARE THESE REQUIREMENTS FINAL? The Federal Reserve is taking comments on the program's terms and conditions until April 16, 2020. Comments may be submitted [here](#).

Further information about this program can be found at the Federal Reserve's website, [here](#).

This document was prepared as an informational resource and should not be considered legal or business counsel. Please reach out to CoronavirusHelp@braun.senate.gov for questions, concerns, or additional assistance. Last updated April 9, 2020.