

Main Street Minimum Loan Size Cut to \$100,000 for Businesses & NFPs

The Main Street loan program was created by the Federal Reserve to help larger, financially solid businesses and not-for-profits (NFP) negatively affected by the COVID-19 pandemic—entities too large to qualify for the U.S. Small Business Administration’s (SBA) Paycheck Protection Program (PPP) and businesses not big enough to access capital markets. The Federal Reserve continues to fine-tune the program to increase demand. It is unclear when—and if—another round of COVID-19 relief will pass Congress and be signed into law. To expand existing relief in light of continued economic uncertainty, on October 30, 2020, the Federal Reserve made three significant changes to the Main Street program:

- Reduced the minimum loan amount for certain facilities from \$250,000 to \$100,000
- Allowed businesses and NFPs to exclude outstanding PPP debt under \$2 million for maximum loan size calculation criteria, if the PPP loan is expected to be forgiven
- Increased bank compensation for loans less than \$250,000

These changes were included in a new frequently asked questions (FAQ) document and new term sheets for the three business facilities and two NFP facilities. The FAQ and term sheets can be found on the [Federal Reserve Bank of Boston website](#), which also includes a state-by-state list of approved lenders. See [Appendix](#) for highlights of the business and NFP program changes.

Other program provisions, including the program’s end date of December 31, 2020, remain unchanged.

Outstanding Debt

The FAQs clarify the criteria for excluding PPP loans from outstanding debt in the determination of the maximum loan amount. Many PPP borrowers have delayed the forgiveness request while awaiting clarification on the process and documentation requirements or may have submitted a forgiveness request but have not received a decision. So that smaller PPP borrowers are not penalized from borrowing under the Main Street program by outstanding PPP debt that is expected to be forgiven, a PPP borrower with loans under \$2 million may exclude certain amounts from the “existing outstanding and undrawn available debt” calculation as follows:

- If the borrower has applied for PPP loan forgiveness, the “Forgiveness Amount” reported on Line 11 of the SBA’s Form 3508, on Line 8 of Form 3508EZ, or on Form 3508S, as applicable, may be excluded, unless the borrower’s PPP lender or the SBA has determined that the amount is ineligible for forgiveness.
- If the borrower has not yet applied for PPP loan forgiveness, the amount of its PPP loan that its principal executive officer has a reasonable, good-faith basis to believe will be forgiven in accordance with applicable PPP requirements, after reviewing the relevant instructions, may be excluded.

A borrower that—together with its affiliates—received PPP loans of \$2 million or more may not exclude any of the outstanding portion of such loans from existing outstanding and undrawn available debt, except to the extent that the SBA has actually determined that such loans are eligible for forgiveness.

Main Street Program Results

The \$600 billion facility was announced with great fanfare in April, but demand from borrowers has continued to be weak, although borrowing activity increased substantially in September. The most recent status report, as of October 8, 2020, indicates that \$2.3 billion has been disbursed to 252 business borrowers. **No NFPs have used the program.**

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Main Street Program Details as of October 8, 2020			
Program	Number of Loans	Total Loan Size (\$ 000s)	Average Loan Size (\$000s)
MSELF	5	\$193,430	\$38,686
MSNLF	118	\$624,762	\$5,295
MSPLF	129	\$1,492,416	\$11,563
Total	252	\$2,310,608	

Conclusion

BKD will continue to follow this developing situation. As with most topics related to COVID-19, changes are being made rapidly. Please note that this information is current as of the date of publication. Visit [BKD's COVID-19 Resource Center](#) to learn more. If you have questions, contact your **BKD Trusted Advisor™** today.

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Appendix

Main Street Loan Details – Businesses			
	MSNLF	MSELF	MSPLF
Interest Rate	LIBOR +3%		
Term	Five years		
Principal Repayments	Deferred for two years		
Interest Repayments	Deferred for one year – interest capitalize		
Principal Repayment	Repayment years three to five, 15 percent, 15 percent, 70 percent		
Minimum Loan Size	\$250,000 \$100,000	\$10 million	\$250,000 \$100,000
Maximum Loan Size	Maximum loan size of \$35 million capped at 4x borrower’s adjusted 2019 EBITDA	Lesser of \$300 million, 35 percent of outstanding and undrawn available debt or 6x borrower’s 2019 adjusted EBITDA	Maximum loan size of \$50 million capped at 6x borrower’s adjusted 2019 EBITDA
Prepayment	No prepayment penalty		
Loan Origination Fee >\$250,000	1% of loan principal amount at origination	.075% of loan principal amount at origination	1% of loan principal amount at origination
Loan Origination Fee <\$250,000	2% of loan principal amount at origination	Not applicable	2% of loan principal amount at origination
Lender Fee to SPV (may be passed on to borrowers) >\$250,000	1% of loan principal amount at origination	.075% of loan principal amount at origination	1% of loan principal amount at origination
Lender Fee to SPV (may be passed on to borrowers) <\$250,000	No transaction fee	Not applicable	No transaction fee
Loan Service Fee (paid by SPV to lender) >\$250,000	25 basis points of principal amount annually	25 basis points of principal amount annually	25 basis points of principal amount annually
Loan Service Fee (paid by SPV to lender) <\$250,000	50 basis points of principal amount annually	Not applicable	50 basis points of principal amount annually
Lender Risk Retention	5%		
Loan Classification	Any existing loans with lender must have had an internal risk rating equivalent to “pass” as of December 31, 2019		

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Main Street Loan Details – NFPs		
	NONLF	NOELF
Interest Rate	LIBOR +3%	
Term	Five years	
Principal Repayments	Deferred for two years	
Interest Repayments	Deferred for one year – interest capitalize	
Principal Repayment	Repayment years three to five, 15 percent, 15 percent, 70 percent	
Minimum Loan Size	\$250,000 \$100,000	\$10 million
Maximum Loan Size	The lesser of \$35 million or the borrower’s average 2019 quarterly revenue	The lesser of \$300 million or the borrower’s average 2019 quarterly revenue
Prepayment	No prepayment penalty	
Loan Origination Fee >\$250,000	1% of loan principal amount at origination	.075% of loan principal amount at origination
Loan Origination Fee <\$250,000	2% of loan principal amount at origination	Not applicable
Lender Fee to SPV (may be passed on to borrowers) >\$250,000	1% of loan principal amount at origination	.075% of loan principal amount at origination
Lender Fee to SPV (may be passed on to borrowers) <\$250,000	No transaction fee	Not applicable
Loan Service Fee (paid by SPV to lender) >\$250,000	25 basis points of principal amount annually	25 basis points of principal amount annually
Loan Service Fee (paid by SPV to lender) <\$250,000	50 basis points of principal amount annually	Not applicable
Lender Risk Retention	5%	
Loan Classification	Any existing loans with lender must have had an internal risk rating equivalent to “pass” as of December 31, 2019	