

PUBLICATION

Main Street Lending Program is Operational

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July 07, 2020

The Federal Reserve Bank of Boston announced yesterday that it is ready to purchase participations in loans originated by eligible lenders under the Main Street Lending Program (the MSLP). The Federal Reserve also announced that it intends to publish a list of lenders who have registered to participate in the MSLP.

Unlike loans under the Paycheck Protection Program, the MSLP is a true loan and is not forgivable. The MSLP loans are designed for companies that were in sound financial condition prior to the COVID-19 pandemic. Lenders use their own underwriting standards when evaluating whether or not to originate loans under the MSLP.

Term sheets summarizing the terms for different loans under the MSLP can be accessed [here](#). The Federal Reserve has also proposed terms for nonprofit organizations, but has not yet finalized those terms. The Federal Reserve has altered the terms for loans under the MSLP several times since the program was first announced in April of this year, and has indicated a willingness to consider additional changes to the program.

Each of the loan facilities under the MSLP provides for a five-year loan, with principal payments deferred for two years and interest payments deferred for one year, and a variable rate of interest at LIBOR plus 300 basis points. The loans may be secured or unsecured.

Borrowers interested in applying for a loan under the MSLP should contact their lenders to determine if their lenders are registered with the Federal Reserve to originate loans under the MSLP. Borrowers should carefully weigh the costs and benefits of obtaining a loan under the MSLP. For example, borrowers must be prepared to make a number of certifications, such as agreeing to refrain from repaying any debt until the MSLP loan is paid in full unless the debt payment is mandatory and due (with certain limited exceptions), and using their reasonable efforts to maintain payroll and retain employees. Until one year after the MSLP loan is repaid, borrowers are required to follow the compensation, stock repurchase and capital distribution restrictions that apply to the direct loan programs under the CARES Act. Borrowers should keep in mind that the Federal Reserve plans to disclose publicly the names of lenders and borrowers, amounts borrowed, and other information relevant to the MSLP.

Lenders who register with the Federal Reserve of Boston may sell up to 95 percent of the loans to a special purpose entity (SPE) established by the Federal Reserve, but are required to retain the remaining five percent until the loan matures or the SPE sells its participation interest in the loan. Lenders are required to make certain commitments when selling the loan participations to the SPE, such as committing not to request that borrowers repay other debt until the MSLP loan is paid in full, unless the debt payment is mandatory and otherwise due.

The SPE will cease purchasing participations on September 30, 2020, so the window for borrowers to obtain loans under the MSLP is short, especially considering the time necessary for a bank to conduct its normal underwriting procedures when originating the loan.

For more information please contact [Noah Kressler](#). You may also visit the [Coronavirus \(COVID-19\): Navigating the Path Ahead information page](#) on our website.