Initial Information Related to the Main Street New Loan Facility

On April 9, 2020, the Federal Reserve Bank (FRB) announced a new program, referred to as the “Main Street New Loan Facility” (MSNLF) to encourage lender to make loans to businesses who have up to 10,000 employees OR less than $2.5 billion in revenue.

Here is the FRBs announcement: <https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200409a7.pdf>

In short, the FRB will create a new holding company designed to buy a large portion of any new debt (or extended debt based on a prior loan) from lenders who make loans under the MSNLF. This holding company will buy 95% of such debt from lenders, thereby greatly reducing the lender’s exposure to defaults, and encouraging them to make such loans.

For you, as potential borrowers, here are some important highlights of the MSNLF:

1. Loan will have a 4-year maturity. Can be a new loan or an expansion of an existing loan;
2. Amortization of interest and principal will be deferred for one year;
3. Interest is at SOFR plus 250 to 400 basis points;
4. Minimum loan size is $1 million (with a maximum based on specific circumstances);
5. Prepayment without penalty is available;
6. Borrower will have to make several attestations related to its financial condition and usage of proceeds; and
7. Borrowers that have taken advantage of the PPP may also take out Main Street loans.

Other restrictions exist. If you are interested in learning more details. Please reach out to me at [rkgardner@dadygardner.com](mailto:rkgardner@dadygardner.com) and I will get you additional information. I would also encourage you to talk to your lender.

Ron Gardner