April 2020

ABA Summary - Main Street Lending Program

- This Program will run through the banking sector to purchase up to $600 billion in loans, backstopped by $75 billion in funds from US Treasury, **until September 30, 2020**.

- The Program is targeted to support U.S. businesses with less than 10,000 employees **or** revenues of less than $2.5 billion.

- The new Program has two facilities[1] that will permit banks to either:
    1. Expand lending to existing business customers impacted by COVID; or
    2. Make new unsecured loans to support COVID impacted businesses.

- Both facilities of the Program share these features:
    1. 4-year maturity
    2. Principal and Interest is deferred for one year
    3. Adjustable rate of SOFR[2] plus 250-400 basis points
    4. No Prepayment Penalty
    5. Minimum loan size of $1 million

- Both facilities have different maximum loan size formulas, including caps based on EBITDA, but no loans can be larger than $150 million (existing customers) or $25 million (new loans).

- The Federal Reserve will create a "Special Purpose Vehicle" (SPV) to purchase a 95% participation in the new loan or the new tranche of the existing loan, with risk shared with the lender on a "pari passu" basis.

- The new loan facility requires banks to pay 100bp to the SPV, which can be passed onto the borrower. Borrowers under either facility will pay a 100bp origination fee to the lender, in addition to a 25bp servicing fee on the principal amount per year.

- The terms of both Program facilities restrict use of proceeds, dividend payments, equity distributions, repayment of other debts, and borrower compensation.

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[1] For reference, linked are term sheets for the Main Street Expanded Loan Facility and Main Street New Loan Facility.

[2] SOFR: **S**ecured **O**vernight **F**inancing **R**ate. See the latest SOFR rates here.