This document is no longer effective.
FAQs in this document have been updated, see: https://www.bostonfed.org/mslp-faqs

Main Street Lending Program

Frequently Asked Questions

This document is intended to address frequently asked questions (**FAQs**) about the Main Street Lending Program (**Main Street** or **Program**), including the Main Street New Loan Facility (**MSNLF**), the Main Street Priority Loan Facility (**MSPLF**), and the Main Street Expanded Loan Facility (**MSELF**). The Federal Reserve will periodically update these FAQs. Please check the Board's website for new FAQs or revisions to previously issued FAQs.

CONTENTS

This document is no longer effective.

FAQs in this document have been updated, see: https://www.bostonfed.org/mslp-faqs

This document is no longer effective.
FAQs in this document have been updated, see: https://www.bostonfed.org/mslp-faqs

This document is no longer effective.
FAQs in this document have been updated, see: https://www.bostonfed.org/mslp-faqs

A. Purpose and Design

A.1. Why is the Federal Reserve establishing the Program?

The spread of COVID-19 has harmed communities and substantially disrupted economic activity in many sectors of the economy. In general, the availability of credit has contracted for small and medium-sized businesses while, at the same time, the disruptions to economic activity have heightened the need for such companies to obtain financing. Small and medium-sized businesses are integral to the U.S. economy and create jobs for a large share of the U.S. workforce.

Main Street is designed to provide support to small and medium-sized businesses and their employees across the United States during the current period of financial strain by supporting the provision of credit to such businesses. The availability of additional credit is intended to help companies that were in sound financial condition prior to the onset of the COVID-19 pandemic maintain their operations and payroll until conditions normalize.

A.2. How is the Department of the Treasury supporting the Program?

The Department of the Treasury (**Treasury Department**) will make a $75 billion equity investment in a Special Purpose Vehicle (**Main Street SPV**) in connection with the Program. The funds invested by the Treasury Department were appropriated to the Exchange Stabilization Fund under section 4027 of the Coronavirus Aid, Relief, and Economic Security Act (**CARES Act**).

A.3. Are loans that are originated or upsized in connection with the Program forgivable?

No. Main Street loans are full-recourse loans and are not forgivable. Under section 4003(d)(3) of the CARES Act, the principal amount of a Main Street loan cannot be reduced through loan forgiveness.

A.4. What are the differences between the MSNLF, the MSPLF, and the MSELF?

Main Street includes three facilities, each of which was authorized by the Federal Reserve Board under section 13(3) of the Federal Reserve Act. All three facilities use the same Eligible Lender and Eligible Borrower criteria, and have many of the same features, including the same maturity, interest rate, deferral of principal and interest for one year, and ability of the borrower to prepay without penalty.

Other features of the loans extended in connection with each facility differ. The loan types also differ in how they interact with the Eligible Borrower's existing outstanding debt, including with respect to the level of pre-crisis indebtedness an Eligible Borrower may have incurred.

- **MSNLF**: Eligible Lenders extend new loans to Eligible Borrowers ranging in size from $500,000 to $25 million. The maximum size of a loan made in connection with the MSNLF cannot, when added to the Eligible Borrower's existing outstanding and undrawn available debt, exceed four times the Eligible Borrower's adjusted 2019 earnings before interest, taxes, depreciation, and amortization (**EBITDA**). The loans must not be, at the time of origination or at any time during the term of the Eligible Loan, contractually subordinated in terms of priority to any of the Eligible Borrower's other loans or debt instruments. The unique features of loans originated in connection with the MSNLF (**MSNLF Loans**) are provided in the MSNLF term sheet.

- **MSPLF**: Eligible Lenders extend new loans to Eligible Borrowers ranging in size from \$500,000 to \$25 million. The maximum size of a loan made in connection with the MSPLF cannot, when added to the Eligible Borrower's existing outstanding and undrawn available debt, exceed six times the Eligible Borrower's adjusted 2019 EBITDA. At the time of origination and at all times thereafter, the Eligible Loan must be senior to or pari passu with, in terms of priority and security, the Eligible Borrower's other loans or debt instruments, other than mortgage debt. Eligible Borrowers may, at the time of origination of the loan, refinance existing debt owed by the Eligible Borrower to a lender that is not the Eligible Lender. The unique features of loans originated in connection with the MSPLF (**MSPLF Loans**) are provided in the MSPLF term sheet.
- **MSELF**: Eligible Lenders increase (or "upsize") an Eligible Borrower's existing term loan or revolving credit facility. The upsized tranche is a four-year term loan ranging in size from \$10 million to \$200 million. The maximum size of a loan made in connection with the MSELF cannot exceed (i) 35% of the Eligible Borrower's existing outstanding and undrawn available debt that is pari passu in priority with the Eligible Loan and equivalent in secured status (i.e., secured or unsecured); or (ii) when added to the Eligible Borrower's existing outstanding and undrawn available debt, six times the Eligible Borrower's adjusted 2019 EBITDA. At the time of upsizing and at all times thereafter, the upsized tranche must be senior to or pari passu with, in terms of priority and security, the Eligible Borrower's other loans or debt instruments, other than mortgage debt. The features associated with tranches of loans that are upsized in connection with the MSELF (**MSELF Upsized Tranches**) are outlined in the MSELF term sheet.

A.5. How long will the Program be in effect?

The Program was established to respond to uncertainty related to the COVID-19 pandemic and is authorized to purchase participations in MSNLF Loans, MSPLF Loans, and MSELF Upsized Tranches until September 30, 2020. The Main Street SPV will cease purchasing loan participations on September 30, 2020, unless the Program is extended by the Board and the Treasury Department. The Federal Reserve Bank of Boston (**FRB Boston**) will continue to operate the SPV after such date until the Main Street SPV's assets mature or are sold.

This document is no longer effective.
FAQs in this document have been updated, see: https://www.bostonfed.org/mslp-faqs

A.6. Is there a limit to the size of the Program?

The Main Street SPV will purchase up to $600 billion of participations in eligible loans. The Federal Reserve and the Treasury Department have assessed this amount to be appropriate in light of the current financial strains facing Eligible Borrowers. The Federal Reserve and the Treasury Department will continue to assess the situation and needs of Eligible Borrowers and may adjust the Program's size in the future.

A.7. What are the differences between the Program and the Payroll Protection Program and Primary Market Corporate Credit Facility?

Similar to the Payroll Protection Program (**PPP**) and the Primary Market Corporate Credit Facility (**PMCCF**), Main Street was created to assist companies that have been adversely affected by the COVID-19 pandemic. Each of these programs, however, was developed to provide liquidity to companies of different sizes:

- **PPP**: The PPP was established by the CARES Act and implemented by the Small Business Administration (**SBA**) to support the payroll and operations of small businesses through the issuance of government-guaranteed loans that include a forgiveness feature for borrowers that satisfy the requirements of the PPP.

- **Main Street**: The Federal Reserve designed Main Street to support small and medium-sized businesses that were unable to access the PPP or that require additional financial support after receiving a PPP loan. Main Street loans are not forgivable.

- **PMCCF**: The Federal Reserve established the PMCCF to support large companies through the purchase of eligible corporate bonds from, and lending through syndicated loans to, large companies. PMCCF loans are not forgivable.

B. MSNLF Loans

B.1. How does the MSNLF work?

Eligible Lenders may extend a new MSNLF Loan to an Eligible Borrower and sell a 95% participation in that MSNLF Loan to the Main Street SPV at par value. All such sales will be structured as "true sales" and must be completed expeditiously after the origination of the MSNLF Loan. The Eligible Lender must retain 5% of the MSNLF Loan until it matures or the Main Street SPV sells all of its participation, whichever comes first. The Main Street SPV and the Eligible Lender would share in any losses on the MSNLF Loan on a pari passu basis.

The Eligible Borrower must have been in sound financial condition prior to the onset of the COVID-19 pandemic. In order for an Eligible Borrower to receive an MSNLF Loan, any existing loan it had outstanding with the Eligible Lender as of December 31, 2019, must have had an internal risk rating (based on the Eligible Lender's risk rating system) that was equivalent to a "pass" in the Federal Financial Institutions Examination Council's (**FFIEC**) supervisory rating system as of that date.

B.2. What are the terms of MSNLF loans?

The MSNLF term sheet is available on the Board's Main Street page. More information will be made available on that page regarding loan participation terms, credit administration, and loan servicing.

B.3. What is the effect of the requirement that MSNLF Loans not be "contractually subordinated in terms of priority" to other loans or debt instruments?

An MSNLF Loan, at the time of origination or at any time during its term, may not be contractually subordinated in terms of priority to the Eligible Borrower's other loans or debt instruments. This means that an MSNLF Loan may not be junior in priority in bankruptcy to the Eligible Borrower's other unsecured loans or debt instruments. This provision does not prevent:

- the issuance of an MSNLF Loan that is a secured loan (including in a second lien or other capacity) to an Eligible Borrower, whether or not the Eligible Borrower has an outstanding secured loan of any lien position or maturity;
- the issuance of an MSNLF Loan that is an unsecured loan to an Eligible Borrower, regardless of the term or secured or unsecured status of the Eligible Borrower's existing indebtedness; or
- the Eligible Borrower from taking on new secured or unsecured debt after receiving an MSNLF Loan, provided the new debt would not have higher contractual priority in bankruptcy than the MSNLF Loan.

C. MSPLF Loans

C.1. How does the MSPLF work?

Eligible Lenders may extend a new MSPLF Loan to an Eligible Borrower and sell an 85% participation in that MSPLF Loan to the Main Street SPV at par value. All such sales will be structured as "true sales" and must be completed expeditiously after the origination of the MSPLF Loan. The Eligible Lender must retain 15% of the MSPLF Loan until it matures or the Main Street SPV sells all of its participation, whichever comes first. The Main Street SPV and the Eligible Lender would share in any losses on the MSPLF Loan on a pari passu basis.

The Eligible Borrower must have been in sound financial condition prior to the onset of the COVID-19 pandemic. In order for an Eligible Borrower to receive an MSPLF Loan, any existing loan it had outstanding with the Eligible Lender as of December 31, 2019, must have had an internal risk rating (based on the Eligible Lender's risk rating system) that was equivalent to a "pass" in the FFIEC's supervisory rating system as of that date.

C.2. What are the terms of MSPLF loans?

The MSPLF term sheet is available on the Board's Main Street page. More information will be made available on that page regarding loan participation terms, credit administration, and loan servicing.

D. MSELF Upsized Tranches

D.1. How does the MSELF work?

Eligible Lenders that have extended an existing term loan or revolving credit facility to an Eligible Borrower may increase (or "upsize") that extension of credit, by adding a new increment (or "tranche"). Eligible Lenders may sell a 95% participation in the MSELF Upsized Tranche to the Main Street SPV at par value. All such sales will be structured as "true sales" and must be completed expeditiously after the upsizing. The Eligible Lender must retain 5% of the MSELF Upsized Tranche until it matures or the Main Street SPV sells all of its participation, whichever comes first. The Eligible Lender must also retain its interest in the underlying loan until that loan matures, the MSELF Upsized Tranche matures, or the Main Street SPV sells all of its participation, whichever comes first. The Main Street SPV and the Eligible Lender would share in any losses on the MSELF Upsized Tranche on a pari passu basis. Any collateral that secures the underlying loan must secure the upsized tranche on a pro rata basis.

To be eligible for "upsizing," the existing term loan or revolving credit facility must have been originated on or before April 24, 2020, and must have a remaining maturity of at least 18 months. The Eligible Lender may extend the maturity of an existing loan or revolving credit facility at the time of upsizing in order for the underlying instrument to satisfy the 18-month remaining maturity requirement.

The Eligible Borrower must have been in sound financial condition prior to the onset of the COVID-19 pandemic. The existing loan or revolving credit facility must have had a risk rating, based on the Eligible Lender's internal rating system, equivalent to a "pass" in the FFIEC's supervisory rating system as of December 31, 2019.

D.2. What are the terms of MSELF Upsized Tranches?

The MSELF term sheet is available on the Board's Main Street page. More information will be made available on that page regarding loan participation terms, credit administration, and loan servicing.

This document is no longer effective.

FAQs in this document have been updated, see: https://www.bostonfed.org/mslp-faqs

D.3. Under the MSELF, can an Eligible Lender sell a participation in an upsized tranche of a loan that was originated as part of a multi-lender facility?

If the loan underlying an MSELF Upsized Tranche is part of a multi-lender facility, the Eligible Lender must be one of the lenders that holds an interest in the underlying loan at the date of upsizing. Only the Eligible Lender for the MSELF Upsized Tranche is required to meet the Eligible Lender criteria. Other members of the multi-lender facility are not required to be Eligible Lenders.

E. Borrower Eligibility

E.1. Which entities are eligible to borrow under the Program?

To be eligible to borrow under the Program, a Business must satisfy certain eligibility criteria, as set out in the MSNLF, MSPLF, and MSELF term sheets and described further below. The Eligible Borrower criteria are the same across all three facilities.

(1) **The Business must have been established prior to March 13, 2020.** The Business must have been formed prior to March 13, 2020, under the laws of the United States, one of the several states, the District of Columbia, any of the territories and possessions of the United States, or an Indian Tribal government.

(2) **The Business must not be an Ineligible Business.** Ineligible Businesses include Businesses listed in 13 CFR 120.110(b)-(j), (m)-(s), as modified and clarified by SBA regulations for purposes of the PPP on or before April 24, 2020. Such modifications and clarifications include the SBA's recent interim final rules available at 85 Fed. Reg. 20811, 85 Fed. Reg. 21747, and 85 Fed. Reg. 23450. The Federal Reserve may further modify the application of these restrictions to Main Street.

(3) **The Business must meet at least one of the following two conditions: (a) the Business has 15,000 employees or fewer, or (b) the Business has 2019 annual revenues of $5 billion or less.** Businesses must meet at least one of these conditions, but are not required to meet both. To determine how many employees a Business has or a Business's 2019 revenues, the employees and revenues of the Business must be aggregated with the employees and revenues of its affiliated entities.

(4) **The Business must be a U.S. Business.** Under section 4003(c)(3)(C) of the CARES Act, Eligible Borrowers must be Businesses that were created or organized in the United States or under the laws of the United States with significant operations in and a majority of their employees based in the United States.

(5) **The Business may only participate in one of the Main Street facilities (MSNLF, MSPLF, or MSELF) and must not also participate in the PMCCF.** An Eligible Borrower may only participate in one of the Main Street facilities: the MSNLF, the MSPLF, or the MSELF. In addition, a Business is not an Eligible Borrower if it participates in the PMCCF.

This document is no longer effective.

FAQs in this document have been updated, see: https://www.bostonfed.org/mslp-faqs

(6) **The Business must not have received specific support pursuant to the Coronavirus Economic Stabilization Act of 2020 (Subtitle A of Title IV of the CARES Act).** A Business is not eligible if it has received support pursuant to section 4003(b)(1)-(3) of the CARES Act.

(7) **The Business must be able to make all of the certifications and covenants required under the Program.** See the MSNLF, MSPLF, and MSELF term sheets and Section H of these FAQs for more information.

Borrowers that satisfy all criteria above may apply to an Eligible Lender for a Main Street loan. The Eligible Lender is expected to conduct an assessment of each potential borrower's financial condition to determine whether the loan is approved.

For the avoidance of doubt, a Business that has received PPP loans, or that has affiliates that have received PPP loans, is permitted to borrow under Main Street, provided that the Business is an Eligible Borrower. Borrowers that are not eligible for a Main Street loan should consult the Treasury Department and SBA to determine if they are eligible for other relief programs.

E.2. How is "Business" defined?

Businesses must be legally formed entities that are organized for profit as a partnership; a limited liability company; a corporation; an association; a trust; a cooperative; a joint venture with no more than 49 percent participation by foreign business entities; or a tribal business concern.

To be eligible for the Program, a tribal business concern must be either (i) wholly owned by one or more Indian tribal governments, or by a corporation that is wholly owned by one or more Indian tribal governments, or (ii) owned in part by one or more Indian tribal governments, or by a corporation that is wholly owned by one or more Indian tribal governments, if all other owners are either U.S. citizens or Businesses.

Other forms of organization may be considered for inclusion as an Eligible Borrower under the Program at the discretion of the Federal Reserve.

E.3. How should a Business count employees for purposes of determining eligibility under the Program?

To be an Eligible Borrower, a Business must meet at least one of the following two conditions: (a) the Business has 15,000 employees or fewer, or (b) the Business has 2019 annual revenues of $5 billion or less. To determine how many employees a Business has, it should follow the framework set out in the SBA's regulation at 13 CFR 121.106. As set out in 13 CFR 121.106, the Business should count as employees all full-time, part-time, seasonal, or otherwise employed persons, excluding volunteers and independent contractors. Businesses should count their own employees and those employed by their affiliates. In order to determine the applicable number of employees, Businesses should use the average of the total number of persons employed by the Eligible Borrower and its affiliates for each pay period over the 12 months prior to the origination or upsizing of the Main Street loan.

E.4. How should a Business calculate 2019 revenues for purposes of determining eligibility under the Program?

To be an Eligible Borrower, a Business must meet at least one of the following two conditions: (a) the Business has 15,000 employees or fewer, or (b) the Business has 2019 annual revenues of $5 billion or less. To determine its 2019 annual revenues, Businesses must aggregate their revenues with those of their affiliates. Businesses may use either of the following methods to calculate 2019 annual revenues for purposes of determining eligibility:

(1) A Business may use its (and its affiliates') annual "revenue" per its 2019 Generally Accepted Accounting Principles-based (GAAP) audited financial statements; or

(2) A Business may use its (and its affiliates') annual receipts for the fiscal year 2019, as reported to the Internal Revenue Service. For purposes of the Program, the term "receipts" has the same meaning used by the SBA in 13 CFR 121.104(a).

If a potential borrower (or its affiliate) does not yet have audited financial statements or annual receipts for 2019, the borrower (or its affiliate) should use its most recent audited financial statements or annual receipts.

E.5. Which entities are a Business's affiliates for purposes of the employee and revenue eligibility criteria?

To determine eligibility, a Business's employees and 2019 revenues are calculated by aggregating the employees and 2019 revenues of the Business itself with those of the Business's affiliated entities in accordance with the affiliation test set forth in 13 CFR 121.301(f) (1/1/2019 ed.).

E.6. Are non-profit organizations eligible to borrow under the Program?

While non-profit organizations are not currently eligible under the Program, the Federal Reserve acknowledges the unique needs of non-profit organizations, many of which are on the front lines providing critical services and research to fight the pandemic. EBITDA is the key underwriting metric required for the MSNLF, MSPLF, and MSELF. The Federal Reserve recognizes that the credit risk of non-profit organizations, as a matter of practice, is generally not evaluated on the basis of EBITDA. The Federal Reserve and the Treasury Department will be evaluating the feasibility of adjusting the borrower eligibility criteria and loan eligibility metrics of the Program for such organizations.

This document is no longer effective.
FAQs in this document have been updated, see: https://www.bostonfed.org/mslp-faqs

E.7. Will an alternative underwriting metric be developed for asset-based borrowers?

EBITDA is the key underwriting metric required for the MSNLF, MSPLF, and MSELF. The Federal Reserve recognizes that the credit risk of asset-based borrowers, as a matter of practice, is generally not evaluated on the basis of EBITDA. The Federal Reserve and the Treasury Department will be evaluating the feasibility of adjusting the loan eligibility metrics of the Program for such borrowers.

F. Application Process

F.1. How can I apply for a Program loan?

To obtain a loan under the Program, an Eligible Borrower must submit an application and any other documentation required by an Eligible Lender to such Eligible Lender. Eligible Borrowers should contact an Eligible Lender for more information on whether the Eligible Lender plans to participate in the Program and to request more information on the application process.

Updates regarding the Program, including the official launch date and the time and date at which the Main Street SPV will begin purchasing participations in MSNLF Loans, MSPLF Loans, and MSELF Upsized Tranches, will be made available on the Board's Main Street page

F.2. Is a Business eligible to borrow if it receives a PPP loan?

A Business that receives a loan through the SBA's PPP can be an Eligible Borrower under Main Street if it meets the Eligible Borrower criteria.

F.3. Do Eligible Borrowers qualify automatically for a loan under the Program?

No. The term sheet contains minimum requirements for the Program. Eligible Lenders are expected to conduct an assessment of each potential borrower's financial condition at the time of the potential borrower's application. Eligible Lenders will apply their own underwriting standards in evaluating the financial condition and creditworthiness of a potential borrower. An Eligible Lender may require additional information and documentation in making this evaluation and will ultimately determine whether an Eligible Borrower is approved for a Program loan in light of these considerations. Businesses that otherwise meet the Eligible Borrower requirements may not be approved for a loan or may not receive the maximum allowable amount.

G. Terms and Conditions

G.1. How will adjusted 2019 EBITDA be calculated?

For MSNLF and MSPLF, the methodology used by the Eligible Lender to calculate adjusted 2019 EBITDA for an Eligible Borrower must be a methodology it previously used for adjusting EBITDA when extending credit to the Eligible Borrower or to similarly situated borrowers on or before April 24, 2020.

For MSELF Eligible Loans, the methodology used by the Eligible Lender to calculate adjusted 2019 EBITDA for the Eligible Borrower must be the methodology it previously used for adjusting EBITDA when originating or amending the underlying loan on or before April 24, 2020.

G.2. How will "existing outstanding and undrawn available debt" be calculated?

"Existing outstanding and undrawn available debt" includes all amounts borrowed under any loan facility, including unsecured or secured loans from any bank, non-bank financial institution, or private lender, as well as any publicly issued bonds or private placement facilities. It also includes all unused commitments under any loan facility, excluding (1) any undrawn commitment that serves as a backup line for commercial paper issuance, (2) any undrawn commitment that is used to finance receivables (including seasonal financing of inventory), (3) any undrawn commitment that cannot be drawn without additional collateral, (4) any undrawn commitment that is no longer available due to change in circumstance. Existing outstanding and undrawn available debt should be calculated as of the date of the loan application.

G.3. Why are Program loans based on LIBOR rather than SOFR?

The Federal Reserve received feedback from potential participants that quickly implementing new systems to issue loans based on SOFR would require diverting resources from challenges related to the pandemic. Although financial institutions are transitioning to more robust reference rates, LIBOR remains the most common base rate used in business lending, even though firms cannot rely on LIBOR being published after the end of 2021. Consistent with the recommendations of the Alternative Reference Rates Committee, Eligible Lenders and Eligible Borrowers should include fallback contract language to be used should LIBOR become unavailable during the term of the loan.

G.4. When do I need to start paying interest on my loan?

No payments of principal or interest will be required during the first 12 months of the loan. Principal and interest payments for all loans obtained under the Program (MSNLF, MSPLF, or MSELF) are deferred for one year. Unpaid interest will be capitalized.

G.5. How will principal be amortized after the first year?

- **MSNLF**: No principal is paid in the first year. The loan will be amortized over the remaining term of the loan, with one-third of principal due at the end of each of years 2 and 3, and one-third due at maturity at the end of year 4.
- **MSPLF and MSELF**: No principal is paid in the first year. The loan will be amortized over the remaining term of the loan, with 15% of principal due at the end of year 2, 15% of

principal due at the end of year 3, and a balloon payment of 70% of principal due at maturity at the end of year 4.

For purposes of this question, principal includes capitalized interest. Eligible Lenders will provide Eligible Borrowers with payment information during the Program loan origination process.

G.6. Is collateral required for Main Street loans?

MSNLF Loans, MSPLF Loans, and MSELF Upsized Tranches may be secured or unsecured.

An MSELF Upsized Tranche must be secured if the underlying loan is secured. In such case, any collateral securing the underlying loan (at the time of upsizing or on any subsequent date) must secure the MSELF Upsized Tranche on a pro rata basis. Under such an arrangement, if the borrower defaults, the SPV and lender(s) would share equally in any collateral available to support the loan relative to their proportional interests in the loan (including the MSELF Upsized Tranche). Eligible Lenders can require Eligible Borrowers to pledge additional collateral to secure an MSELF Upsized Tranche as a condition of approval.

G.7. Are there fees associated with Main Street loans?

Yes, there are fees associated with the MSNLF, MSPLF, and MSELF.

- **MSNLF and MSPLF**: Eligible Lenders will pay the Main Street SPV a transaction fee of 100 basis points of the principal amount of the MSNLF or MSPLF Loan at the time of origination, and may pass on this fee to Eligible Borrowers. In addition, the Eligible Borrower will pay the Eligible Lender a fee of up to 100 basis points of the principal amount of the MSNLF or MSPLF Loan at the time of origination. Eligible Lenders have discretion over whether and when to charge Eligible Borrowers this fee.
- **MSELF**: Eligible Lenders will pay the Main Street SPV a transaction fee of 75 basis points of the principal amount of the MSELF Upsized Tranche at the time of upsizing, and may choose to pass on this fee to Eligible Borrowers. In addition, the Eligible Borrower will pay an Eligible Lender a fee of up to 75 basis points of the principal amount of the MSELF Upsized Tranche at the time of upsizing. Eligible Lenders have discretion over whether and when to charge Eligible Borrowers this fee.

The SPV will pay an Eligible Lender 25 basis points of the principal amount of its participation per annum for loan servicing.

G.8. What constitutes "commercially reasonable efforts" to maintain payroll and retain employees?

Eligible Borrowers should make commercially reasonable efforts to retain employees during the term of the MSNLF Loan, MSPLF Loan, or MSELF Upsized Tranche. Specifically, an Eligible Borrower should undertake good-faith efforts to maintain payroll and retain employees, in light of its capacities, the economic environment, its available resources, and the business need for labor. Borrowers that have already laid-off or furloughed workers as a result of the disruptions from COVID-19 are eligible to apply for Main Street loans.

G.9. Can an Eligible Borrower receive more than one Main Street loan?

An Eligible Borrower may only participate in one of the Main Street facilities: the MSNLF, the MSPLF, or the MSELF. However, an Eligible Borrower may receive more than one loan under a single Main Street facility, provided that the sum of MSNLF Loans or MSPLF Loans received by a single borrower cannot exceed $25 million; and the sum of MSELF Upsized Tranches received by a single borrower cannot exceed $200 million.

H. Certifications and Covenants

H.1. Are the required certifications and covenants under the three Main Street facilities the same?

While most of the certifications and covenants are the same, there are two variations. The Eligible Lender certification relating to EBITDA is different in the MSELF than it is in the MSNLF and MSPLF, owing to fact that the MSELF necessarily includes an existing loan from the Eligible Lender. In addition, the MSPLF includes a modification to the Eligible Borrower covenant regarding debt repayment to allow an Eligible Borrower to refinance existing debt owed to a lender that is not the Eligible Lender at the time the MSPLF Loan is originated.

H.2. What compensation, stock repurchase and capital distributions restrictions apply?

The compensation, stock repurchase, and capital distribution restrictions that apply to direct loan programs under section 4003(c)(3)(A)(ii) of the CARES Act apply under each of the MSELF, MSNLF and MSPLF, except that, in each case, restrictions on dividends and other capital distributions will not apply to distributions made by an S corporation or other tax pass-through entity to the extent reasonably required to cover its owners' tax obligations in respect of the entity's earnings.

H.3. What restrictions are placed on the Eligible Borrower's ability to repay existing debt?

The restrictions on repaying debt vary across the various Main Street loans:

- **MSNLF and MSELF**: The Eligible Borrower must commit to refrain from repaying the principal balance of, or paying any interest on, any debt until the MSNLF Loan or the MSELF Upsized Tranche is repaid in full, unless the debt or interest payment is mandatory and due. The Eligible Borrower must also commit that it will not seek to cancel or reduce any of its committed lines of credit with the Eligible Lender or any other lender.

- **MSPLF**: The Eligible Borrower must commit to refrain from repaying the principal balance of, or paying any interest on, any debt until the MSPLF Loan is repaid in full, unless the debt or interest payment is mandatory and due; however, the Eligible Borrower may, at the time of origination of the MSPLF Loan, refinance existing debt owed by the Eligible Borrower to a lender that is not the Eligible Lender. The Eligible Borrower must also commit that it will not seek to cancel or reduce any of its committed lines of credit with the Eligible Lender or any other lender.

These covenants would not prohibit an Eligible Borrower from undertaking any of the following actions during the term of the MSNLF Loan, MSPLF Loan, or MSELF Upsized Tranche:

- repaying a line of credit (including a credit card) in accordance with the Eligible Borrower's normal course of business usage for such line of credit;
- taking on and paying additional debt obligations required in the normal course of business and on standard terms, including inventory and equipment financing, provided that such debt is secured by newly acquired property (e.g., inventory or equipment), and, apart from such security, is of equal or lower priority than the MSNLF Loan, the MSPLF Loan, or the MSELF Upsized Tranche; or
- refinancing maturing debt.

H.4. Is an Eligible Lender permitted to accept partial repayment of an Eligible Borrower's existing line of credit with the Eligible Lender?

The Eligible Lender would not be prevented from accepting regularly scheduled, periodic repayments on a line of credit from an Eligible Borrower in accordance with the Eligible Borrower's normal course of business usage for such line of credit.

H.5. What restrictions are placed on an Eligible Lender's ability to cancel or reduce any existing committed lines of credit outstanding?

An Eligible Lender must commit that it will not cancel or reduce any existing committed lines of credit outstanding to the Eligible Borrower, except in an event of default. This requirement does not prohibit the reduction or termination of uncommitted lines of credit, the expiration of existing lines of credit in accordance with their terms, or the reduction of availability under existing lines of credit in accordance with their terms due to changes in borrowing bases or reserves in asset-based or similar structures.

H.6. What is the Eligible Lender's role in verifying certifications and covenants?

An Eligible Lender is required to collect the required certifications and covenants from each Eligible Borrower at the time of origination or upsizing. Eligible Lenders may rely on an Eligible Borrower's certifications and covenants, as well as any subsequent self-reporting by the Eligible Borrower. The Eligible Lender is not expected to independently verify the Eligible Borrower's certifications or actively monitor ongoing compliance with covenants required for Eligible

Borrowers under the Main Street term sheets. If an Eligible Lender becomes aware that an Eligible Borrower made a material misstatement or otherwise breached a covenant during the term of an MSNLF Loan, MSPLF Loan, or MSELF Upsized Tranche, the Eligible Lender should notify the FRB Boston.

I. Lender Information

I.1. Which financial institutions are eligible to make loans under the Program?

U.S. federally-insured depository institutions (including banks, savings associations, and credit unions), U.S. branches or agencies of foreign banks, U.S. bank holding companies, U.S. savings and loan holding companies, U.S. intermediate holding companies of foreign banking organizations, or any U.S. subsidiary of any of the foregoing are eligible to participate in the Program. At this time, nonbank financial institutions are not considered Eligible Lenders for purposes of the Program. However, the Federal Reserve is considering options to expand the list of Eligible Lenders in the future.

I.2. How should an Eligible Lender evaluate an Eligible Borrower's creditworthiness?

Eligible Lenders should view the eligibility criteria in the term sheets as the minimum requirements for the Program. Eligible Lenders are expected to conduct an assessment of each potential borrower's financial condition at the time of the potential borrower's application. Eligible Lenders will apply their own underwriting standards in evaluating the financial condition and creditworthiness of a potential borrower. An Eligible Lender may require additional information and documentation in making this evaluation and will ultimately determine whether an Eligible Borrower is approved for a Program loan in light of these considerations. Businesses that otherwise meet the Eligible Borrower requirements may not be approved for a loan or receive the maximum allowable amount.

J. Loan Participation

J.1. What loan documentation is required to sell a participation to the Main Street SPV under the Program?

Information regarding the loan documentation required to sell a loan participation to the SPV will be made available on the Board's website.

J.2. What loan-level information will the SPV collect for credit monitoring purposes?

The SPV will collect information on certifications, covenants, lender, loan terms, and loan performance as well as the borrower, borrower fundamentals, collateral, and other characteristics. The information will be used to verify that the lender, loan, and borrower meet eligibility requirements and to support ongoing accounting and credit risk monitoring needs with respect to purchased loan participations. Information will be collected at different stages and at appropriate frequencies through a variety of channels designed to accommodate the range of Eligible Lenders and Eligible Borrowers anticipated to participate in the program. More details will be provided at a later date.

J.3. Is there a limit to the volume of participations the Main Street SPV can purchase from a single Eligible Lender?

Apart from the Program's size and time limitations, there is no limit on the amount of participations the Main Street SPV can purchase from a single Eligible Lender.

K. Regulatory Treatment

K.1. What is the regulatory capital treatment for the interest in a Main Street loan retained by an Eligible Lender?

The interest in the portion of a Main Street loan that is retained by an Eligible Lender should be assigned the risk weight applicable to the counterparty for the loan—generally a 100 percent risk weight for a corporate exposure under the standardized approach. For purposes of risk-based capital rules and leverage rules, the exposure amount for MSPLF Loans is 15 percent of the outstanding MSPLF Loan balance; and the exposure amount for MSNLF Loans and MSELF Upsized Tranches is 5 percent of the MSNLF Loan balance or MSELF Upsized Tranche balance, respectively. With respect to the MSELF, this treatment applies only to the outstanding MSELF Upsized Tranche balance; the underlying loan or line of credit would be subject to the capital treatment that applied prior to the sale of the participation to the Main Street SPV.

Secured Main Street loans are eligible for the credit risk mitigation treatment in the standardized approach provided that any collateral securing the loan is eligible financial collateral. Eligible Lenders are not permitted to recognize collateral attributable to the Main Street SPV's interest for purposes of the credit risk mitigation treatment under the capital rule.

The treatment described above applies only to Eligible Lenders that are subject to the federal banking agencies' capital rule. Credit unions that participate in the Program are subject to any capital requirements implemented by the National Credit Union Administration.

L. Operational Details

L.1. How will the Federal Reserve administer the Program?

The Program will be administered by the FRB Boston, which will establish the Main Street SPV to purchase loan participations from Eligible Lenders in any of the twelve Federal Reserve districts. Further detail regarding how the Program will be operationalized will be made available in the future.

This document is no longer effective.
FAQs in this document have been updated, see: https://www.bostonfed.org/mslp-faqs

L.2. What information will the Federal Reserve disclose regarding the Main Street facilities?

The Federal Reserve will disclose information regarding the MSNLF, MSPLF, and MSELF during the operation of the facilities, including information regarding names of lenders and borrowers, amounts borrowed and interest rates charged, and overall costs, revenues and other fees.

Balance sheet items related to the MSNLF, MSPLF and MSELF will be reported weekly, on an aggregated basis, on the H.4.1 statistical release titled "Factors Affecting Reserve Balances of Depository Institutions and Condition Statement of Federal Reserve Banks," published by the Federal Reserve. In addition, the Federal Reserve will disclose to Congress information pursuant to Section 13(3) of the Federal Reserve Act, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act, and the Board's Regulation A.

Under section 11(s) of the Federal Reserve Act, the Federal Reserve also will disclose information concerning the facilities one year after the effective date of the termination by the Board of the authorization of the facilities. This disclosure will include names and identifying details of each participant in the facilities, the amount borrowed, the interest rate or discount paid, and information concerning the types and amounts of collateral pledged or assets transferred in connection with participation in the facilities.