Periodic Report: Update on Outstanding Lending Facilities Authorized by the Board under Section 13(3) of the Federal Reserve Act
July 6, 2020

Overview

The Board of Governors of the Federal Reserve System (Board) is providing the following updates concerning lending facilities established by the Board under section 13(3) of the Federal Reserve Act (12 U.S.C. § 343). Pursuant to section 13(3)(C) of the Federal Reserve Act, the Board must provide the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives (the Committees) an initial report regarding each facility established under section 13(3) and periodic updates at least every 30 days thereafter. This report provides the second periodic update for the Main Street Priority Loan Facility (MSPLF) and the third periodic update for the Main Street New Loan Facility (MSNLF) and the Main Street Expanded Loan Facility (MSELF).

In addition to the MSNLF, MSELF, and MSPLF, the Board also has authorized the establishment of the following credit facilities under section 13(3) of the Federal Reserve Act: the Commercial Paper Funding Facility, the Primary Dealer Credit Facility, the Money Market Mutual Fund Liquidity Facility, the Primary Market Corporate Credit Facility, the Secondary Market Corporate Credit Facility, the Term Asset-Backed Securities Loan Facility, the Paycheck Protection Program Liquidity Facility, and the Municipal Liquidity Facility. The Board will provide periodic updates concerning these facilities at least every 30 days, in accordance with section 13(3) of the Federal Reserve Act.

A. Main Street Lending Program

As described below, the Board has established a Main Street Lending Program (Program) to support lending to small and medium-sized businesses that were in sound financial condition before the onset of the COVID-19 pandemic. The Program operates through three facilities: the MSNLF, MSELF, and MSPLF. The Federal Reserve Bank of Boston (FRBB) has established one special purpose vehicle (SPV) to manage and operate all three facilities. This section provides aggregate information about the Program, while the following sections provide information about recent updates to the terms of each individual facility. Additional information about the Program can be found on the Board's public website at https://www.federalreserve.gov/monetarypolicy/mainstreetlending.htm.

Update. As of June 24, 2020, the Program was open for lender registration but had not yet purchased any participations in eligible loans. Accordingly, there are no transaction-specific disclosures. However, as of June 24, 2020:

- The total outstanding amount of the FRBB's loans to the SPV under the Program was $0.
- The total outstanding amount of participations in eligible loans purchased by the SPV was $0.
- The total value of the collateral pledged to secure the FRBB's loans to the SPV was $37,501,658,433.[1]
- The total amount of interest, fees, and other revenue received by the SPV with respect to the Program, reported on an accrual basis, was $1,658,433.
- The total amount of interest, fees, and other revenue or items of value received by the FRBB, reported on an accrual basis, was $0.
- As described in the Board's initial reports to Congress regarding the MSNLF, MSELF, and MSPLF, the Program includes features that are intended to mitigate risk to the Federal Reserve. The Board continues to expect that the Program will not result in losses to the Federal Reserve.

B. Main Street New Loan Facility

On June 8, 2020, the Board adopted an updated term sheet for the MSNLF, reflecting changes to the definition of Eligible Loan. Specifically, the definition of Eligible Loan was revised to read as follows:

Eligible Loans. An Eligible Loan is a secured or unsecured term loan made by an Eligible Lender(s) to an Eligible Borrower that was originated after April 24, 2020, provided that the loan has all of the following features:

1. five-year maturity;
2. principal payments deferred for two years and interest payments deferred for one year (unpaid interest will be capitalized);
3. adjustable rate of LIBOR (one or three month) + 300 basis points;
4. principal amortization of 15 percent at the end of the third year, 15 percent at the end of the fourth year, and a balloon payment of 70 percent at

[1] Includes equity investment from the Department of the Treasury and interest earned thereon.

maturity at the end of the fifth year;
5. minimum loan size of $250,000;
6. maximum loan size that is the lesser of (i) $35 million or (ii) an amount that, when added to the Eligible Borrower's existing outstanding and undrawn available debt, does not exceed four times the Eligible Borrower's adjusted 2019 earnings before interest, taxes, depreciation, and amortization (EBITDA);[2]
7. is not, 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; and
8. prepayment permitted without penalty.

C. Main Street Expanded Loan Facility

On June 8, 2020, the Board adopted a revised term sheet for the MSELF, reflecting changes to the definition of Eligible Loan. Specifically, the definition of Eligible Loan was revised to read as follows:

Eligible Loans. An Eligible Loan is a secured or unsecured term loan or revolving credit facility made by an Eligible Lender(s) to an Eligible Borrower that was originated on or before April 24, 2020, and that has a remaining maturity of at least 18 months (taking into account any adjustments made to the maturity of the loan after April 24, 2020, including at the time of upsizing), provided that the upsized tranche of the loan is a term loan that has all of the following features:
1. five-year maturity;
2. principal payments deferred for two years and interest payments deferred for one year (unpaid interest will be capitalized);
3. adjustable rate of LIBOR (one or three month) + 300 basis points;
4. principal amortization of 15 percent at the end of the third year, 15 percent at the end of the fourth year, and a balloon payment of 70 percent at maturity at the end of the fifth year;
5. minimum loan size of $10 million;
6. maximum loan size that is the lesser of (i) $300 million or (ii) an amount that, when added to the Eligible Borrower's existing outstanding and undrawn available debt, does not exceed six times the Eligible Borrower's

[2] The methodology used by the Eligible Lender to calculate adjusted 2019 EBITDA must be the methodology it has previously used for adjusting EBITDA when extending credit to the Eligible Borrower or similarly situated borrowers on or before April 24, 2020.

adjusted 2019 EBITDA;[3]

7. at the time of upsizing and at all times the upsized tranche is outstanding, the upsized tranche is 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; and
8. prepayment permitted without penalty.

D. Main Street Priority Loan Facility

On June 8, 2020, the Board adopted a revised term sheet for the MSPLF, reflecting changes to the following terms:

Eligible Loans. The definition of Eligible Loans was revised so that an Eligible Loan is a secured or unsecured term loan made by an Eligible Lender(s) to an Eligible Borrower that was originated after April 24, 2020, provided that the loan has all of the following features:

1. five-year maturity;
2. principal payments deferred for two years and interest payments deferred for one year (unpaid interest will be capitalized);
3. adjustable rate of LIBOR (one or three month) + 300 basis points;
4. principal amortization of 15 percent at the end of the third year, 15 percent at the end of the fourth year, and a balloon payment of 70 percent at maturity at the end of the fifth year;
5. minimum loan size of $250,000;
6. maximum loan size that is the lesser of (i) $50 million or (ii) an amount that, when added to the Eligible Borrower's existing outstanding and undrawn available debt, does not exceed six times the Eligible Borrower's adjusted 2019 EBITDA;[4]
7. at the time of origination and at all times the Eligible Loan is outstanding, the Eligible Loan is senior to or pari passu with, in terms of priority and security, the Eligible Borrower's other loans or debt instruments, other than

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[3] The methodology used by the Eligible Lender to calculate adjusted 2019 EBITDA must be the methodology it previously used for adjusting EBITDA when originating or amending the Eligible Loan on or before April 24, 2020.

[4] The methodology used by the Eligible Lender to calculate adjusted 2019 EBITDA must be the methodology it has previously used for adjusting EBITDA when extending credit to the Eligible Borrower or similarly situated borrowers on or before April 24, 2020.

mortgage debt; and

8. prepayment permitted without penalty.

Loan Participations. Under the updated term sheet, the SPV will purchase at par value a 95 percent participation in the Eligible Loan. Eligible Lenders will retain 5 percent of each Eligible Loan.