



U.S. Small Business
Administration

Agenda

- **7(a) Loan Programs**
- **504 Loan Program**
- **CARL Overview**
- **Main Street Lending Program**
- **Q&A**



7(a) Loan Programs



SBA Loan Programs

- The SBA guarantees loans through a lender to provide financing to small businesses. The agency doesn't lend money directly to small business owners; the business owners visit with a banking institution.
- SBA sets guidelines for all its loan programs offered by the lenders, community development financial Institutions, and SBA micro-lenders.
- The SBA guaranty reduces the risk to lenders and makes it easier for small businesses to get access capital.

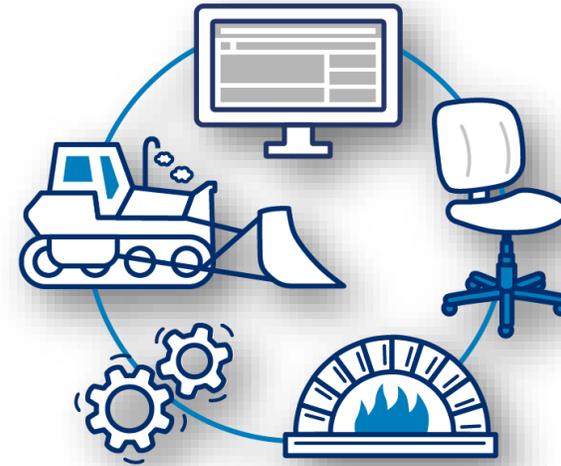
7(a) Guaranty Loan Program

- The 7(a)-loan program is the SBA's primary program for providing financial assistance to small businesses. The terms and conditions, just like the guaranty percentage and loan amount, may vary by the type of loan.
- The SBA **guaranty** varies depending on the program loan type:
 - 75% and 85% (General 7a)
 - 50% (SBA Express)
 - 90%(Export)

How Can an SBA-Guaranteed Loan Help You?



- Start or expand your business
- Use for leasehold improvements
- Working capital for operating expenses



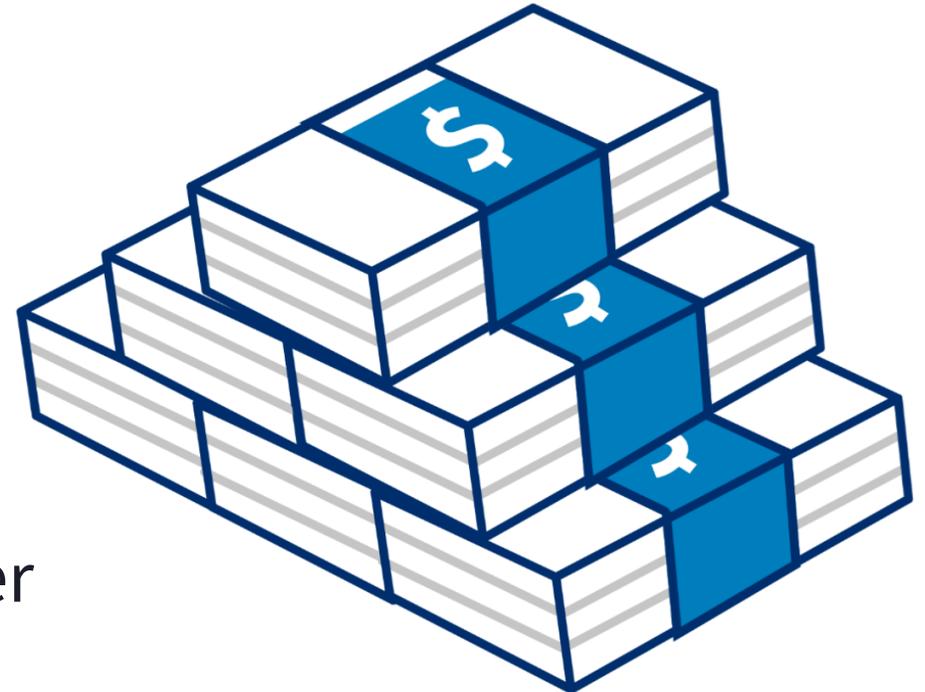
- To renovate your facility
- Purchase inventory, equipment, or machinery
- Purchase a building
- Export a product or service from the U.S.

SBA 7(a) Loans

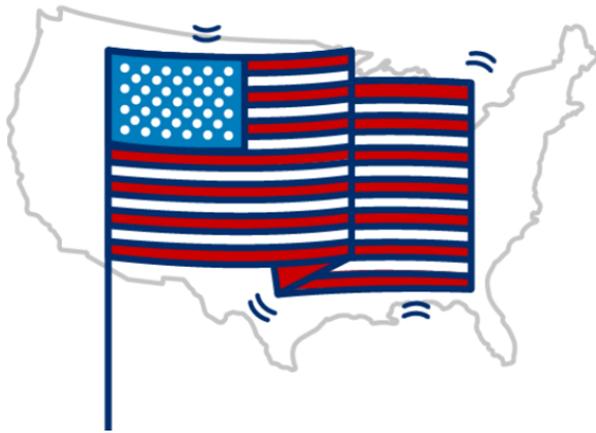
The SBA guarantees a percentage of a loan to a lender for a small business loan.

Example:

- \$300,000 Loan Amount
- 75% Guaranty
- \$225,000 Guaranty Amount to the lender



Requirements



- Must be small by SBA Standards
- Must be an Operating Business
- Be a For Profit organization
- Located in the U.S. and Owned by U.S. Citizens or Legal Permanent Residents (LPR)s and
- Demonstrate a Need for Credit

Ineligible Type Businesses

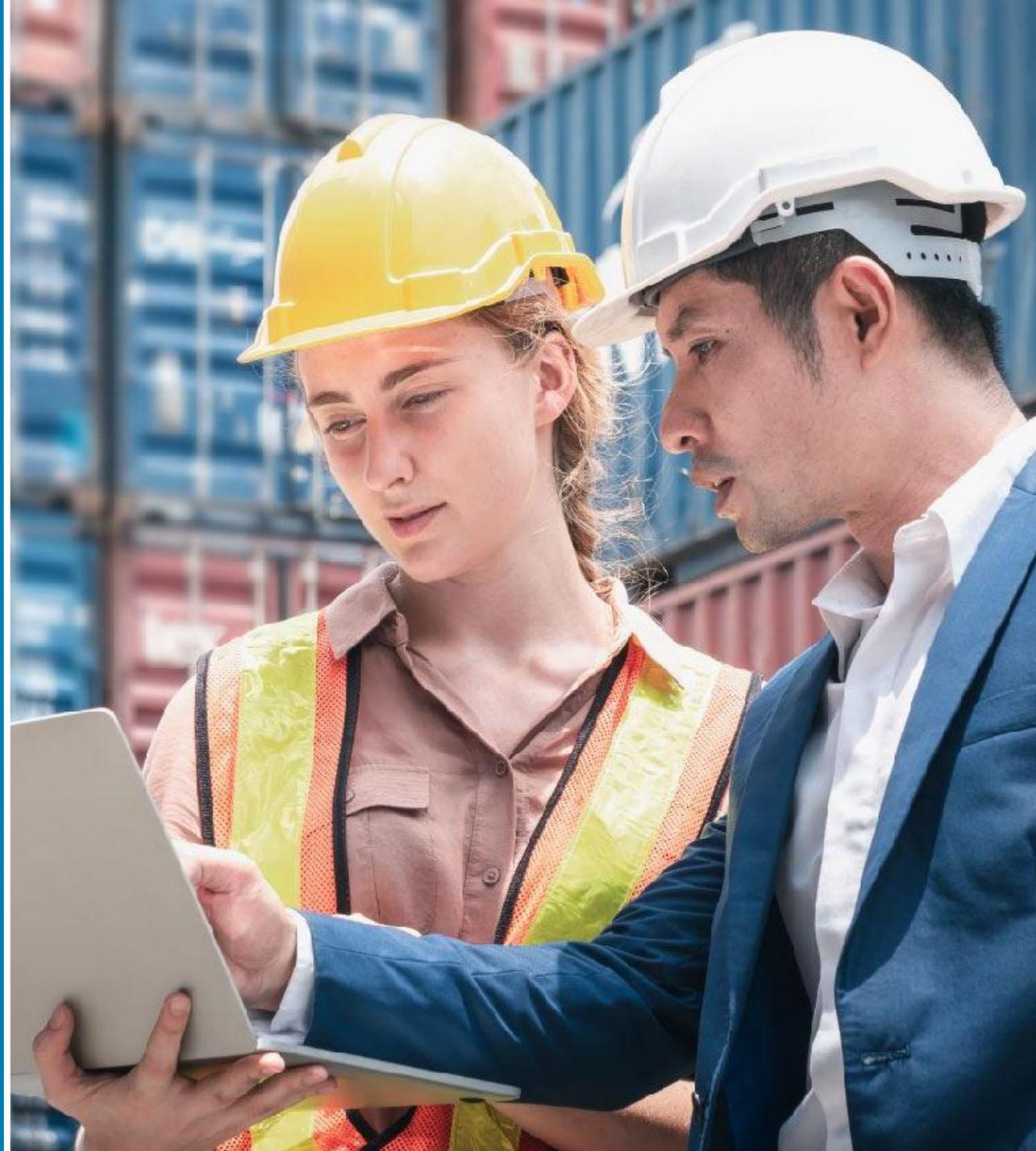
- Non-profit organizations
- Speculative/Investment (e.g. apartments)
- Gambling
- Businesses engaged in illegal activities
- Adult businesses
- Businesses in foreign countries
- Life insurance companies, Pyramid sales
- Religious organizations
- Lending and finance businesses
- Previous loss on a government loan
- Government entities

Microloan Program



- Mission-based lenders and nonprofits
- Microloans up to \$50,000
- Terms up to 5 years
- Interest rates negotiated by lender
- Lender Match available
- For equipment, inventory, working capital

504 Loan Program



SBA 504 Loan Program

- The 504 Loan Program provides approved small businesses with long-term, fixed-rate financing used to acquire fixed assets (land and building or equipment).
- 504 loans are made available through Certified Development Companies (CDCs), which are SBA's community-based partners.

SBA 504 Loan Program

- **Maximum loan amount:**
 - **For CDC/SBA Portion:** \$5 million to \$5.5 million
- **Project costs:** financed by 504 Loan 40%
 - lender finances — 50%
 - equity finances 10-20%
- **Uses:** long-term; fixed assets
- **Maturity:** 10 - 25 years



Use of 504 Proceeds

Purchase of
Land and
Building

Building
Construction

Purchase of
Machinery &
Equipment



CARL

Community Advantage Recovery Loans (CARL)



Purpose: The Community Advantage Recovery Loan Program (CARL) is a pilot program to increase SBA-guaranteed loans to small businesses in underserved areas.

The new program will provide technical and financial assistance to small businesses located in underserved markets. It is intended to help these small businesses revamp their operations for the COVID-19 environment and/or to build financial resiliency against future disruptions.



Target Applicant: Underserved Markets within approved CA lender's defined territory.

Community Advantage Recovery Loan Program

- **Maturity Date/Loan Term:** minimum 5-year
 - CARL Maturity must match the use of proceeds – **NO short-term loans!**
- **Maximum Loan Amount:** \$250,000
- **P&I Payments:** for first six months of CARL loan will be paid by SBA under Section 1112 of CARES Act.
- **Loan Disbursement Period:** Must be originated no later than **September 27, 2020** and fully disbursed before **October 1, 2020.**

Community Advantage Recovery Loans (CARL)

- **Technical Assistance (TA) Requirements:**
 - Community Advantage (CA) lender may begin TA 30 days prior to loan approval and must be completed during the first 6 months of the loan term.
 - May be provided by or on behalf of the CARL Lender.
 - Must be tailored to the subject business and may include, but is not limited to:
 - retooling the applicant business model for a COVID-19 environment;
 - shifting to an online presence;
 - building cash reserves; and
 - expense reduction strategies.
 - Minimum of 15 hours Technical Assistance is required (FREE to the client).

Current List of CARL lenders

As of 7/27/2020

Lender Name	Lender State
CDC Small Business Finance Corporation	CA
Justine Petersen Housing & Reinvestment Corporation	MO
LiftFund, Inc.	TX
Metropolitan Economic Development Association	MN
Mountain West Small Business Finance	UT
Natural Capital Investment Fund, Inc.	WV
PeopleFund	TX
Trenton Business Assistance Corporation	NJ
BSD Capital LLC dba Lendistry	CA
Colorado Enterprise Fund	CO
Flagship Enterprise Center, Inc. (dba Bankable)	IN
Montana Community Development Corp.	MT
Northern Economic Initiative Corp.	MI
West Central Development Corporation	OH
Brightbridge, Inc.	TN
Community Investment Corporation	CT
Evergreen Business Capital	WA
First State Community Loan Fund dba True Access	DE
Growth Capital Corporation	OH
Main Street Launch	CA
Milwaukee Economic Development Corporation	WI
Mountain Bizcapital, Inc.	NC
PCR Small Business Development	CA
Small Business Assistance Corporation	GA
TruFund Financial Services Inc	NY
Union County Economic Development Corporation	NJ
Wisconsin Women's Business Initiative Corporation	WI
Accion (DreamSpring)	NM
Fresno Community Development Financial Institution	CA
Florida Business Development Corporation	FL
Empire State Certified Development Corporation	NY
Colorado Lending Source, Ltd.	CO



PHONE: 888-215-2373

WEBSITE: www.liftfund.com



PHONE: 888-222-0017

WEBSITE: www.peoplefund.org/carl/

FEDERAL RESERVE SYSTEM

Main Street Lending Program

Overview of the Main Street Lending Program

August 19, 2020

Kenechukwu Anadu, Assistant Vice President
Supervision, Regulation, and Credit
Federal Reserve Bank of Boston

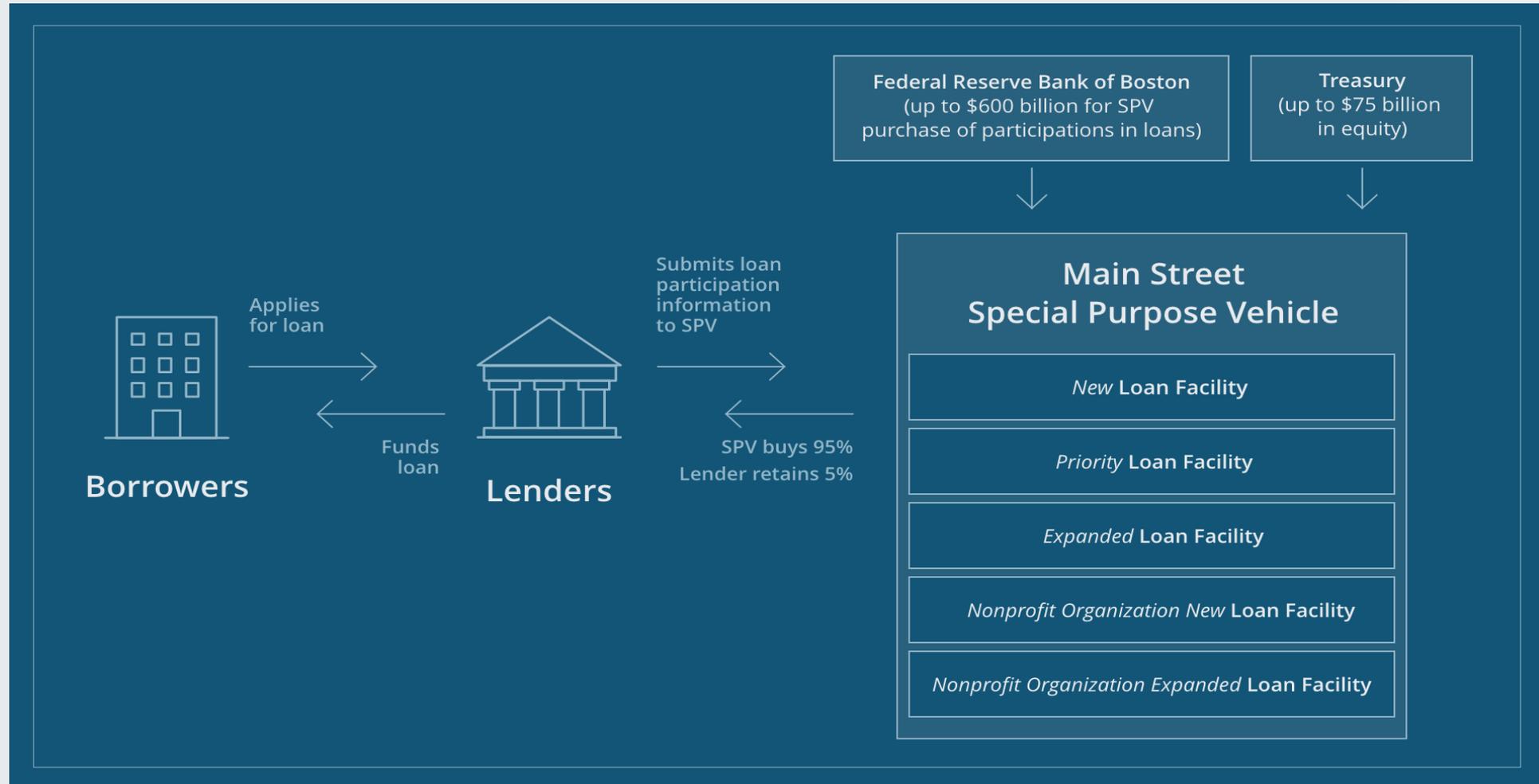
Agenda for Today's Session

- ▷ Overview of the Main Street Lending Program (MSLP)
- ▷ Key Terms and Conditions
- ▷ Getting Started
- ▷ FAQs
- ▷ Additional Resources

Overview of the MSLP

- ▷ The MSLP is designed to help credit flow to small- and medium-sized *for-profit* businesses and *nonprofit* organizations:
 - ▷ In sound financial condition before the pandemic shock to the economy
 - ▷ That now need loans to help maintain or bridge their operations and payroll
 - ▷ To help them recover from, or adapt to, the impacts of the pandemic.
- ▷ By providing additional lending capacity, the MSLP aims to enable as many sound for-profit businesses and nonprofit organizations as possible to retain operational capacity to support a quick economic recovery.
- ▷ The MSLP creates additional lending capacity through two important actions:
 - ▷ Sharing risk that would otherwise be absorbed solely by lenders
 - ▷ Creating additional balance sheet capacity for lenders to extend more loans

Overview of the MSLP (continued)



Key Terms and Conditions (T&C): Eligible Loans

- ▷ The MSLP operates through five facilities, each with different features to meet the needs of small- and medium-sized for-profit businesses and nonprofit organizations:
 - ▷ Three facilities for for-profit businesses. **Status: MSLP SPV is open to purchase eligible loans.**
 - ▷ Two facilities for nonprofit organizations. **Status: The Federal Reserve is working to operationalize these facilities.**
- ▷ Loan terms are similar across the for-profit and non-profit facilities, with certain adjustments to reflect differences in operating models.
- ▷ MSLP loans are not grants and cannot be forgiven.

Key T&C: Eligible Loans – For-Profit Businesses

	<i>New Loan Facility</i>	<i>Priority Loan Facility</i>	<i>Expanded Loan Facility</i>
1. Loan Term	5 years		
2. Interest Rate	Adjustable rate of LIBOR (1- or 3-month) + 300 basis points (bps)		
3. Interest Payments	Interest deferred for 1 year unpaid interest will be capitalized		
4. Principal Payments	Principal deferred for 2 years. Years 3–5: 15%, 15%, 70% prepayment allowed without penalty		
5. Lender Participation Rate	Lender will retain 5% of the loan (or upsized tranche of the loan for Expanded Loan Facility)		
6. Loan Size	\$250,000–\$35 million	\$250,000–\$50 million	\$10 million–\$300 million
7. Leverage Requirement	4 times debt to adjusted 2019 EBITDA	6 times debt to adjusted 2019 EBITDA	
8. Requirements for Priority and Security	Unsecured or secured loan; may not be contractually subordinated to other debt	Unsecured or secured loan that is senior to or pari passu with, in terms of priority or security, other debt	
9. Loan Fees	Transaction Fee ¹ : 100 bps Origination Fee ² : 100 bps		Transaction Fee ¹ : 75 bps Origination Fee ² : 75 bps

(1) Eligible Lenders will pay the MSLP SPV a transaction fee. Eligible Lenders may pass on this transaction fee to the Eligible Borrower.

(2) Eligible Borrowers will pay Eligible Lenders an origination fee. Eligible Lenders have discretion on whether and when to charge Eligible Borrowers this origination fee.

Note: An Eligible Lender may charge an Eligible Borrower de minimis fees for services that are customary and necessary in the Eligible Lender’s underwriting practices, including appraisal and legal fees. (See FAQ G.12.)

Key T&C: Eligible Loans – Nonprofit Organizations

	<i>Nonprofit New Loan Facility</i>	<i>Nonprofit Expanded Loan Facility</i>
1. Loan Term	5 years	
2. Interest Rate	Adjustable rate of LIBOR (1- or 3-month) + 300 basis points (bps)	
3. Interest Payments	Interest deferred for 1 year unpaid interest will be capitalized	
4. Principal Payments	Principal deferred for 2 years. Years 3–5: 15%, 15%, 70% prepayment allowed without penalty	
5. Lender Participation Rate	Lender will retain 5% of the loan (or upsized tranche of the loan for Expanded Loan Facility)	
6. Loan Size	\$250,000–\$35 million	\$10 million–\$300 million
7. Maximum Loan Size	The lesser of \$35 million or the borrower’s average 2019 quarterly revenue	The lesser of \$300 million or the borrower’s average 2019 quarterly revenue
8. Requirements for Priority and Security	Unsecured or secured loan; may not be contractually subordinated to other debt	Unsecured or secured loan that is senior to or pari passu with, in terms of priority or security, other debt
8. Loan Fees	Transaction Fee ¹ : 100 bps Origination Fee ² : 100 bps	Transaction Fee ¹ : 75 bps Origination Fee ² : 75 bps

(1) Eligible Lenders will pay the MSLP SPV a transaction fee. Eligible Lenders may pass on this transaction fee to the Eligible Borrower.

(2) Eligible Borrowers will pay Eligible Lenders an origination fee. Eligible Lenders have discretion on whether and when to charge Eligible Borrowers this origination fee.

Note: An Eligible Lender may charge an Eligible Borrower de minimis fees for services that are customary and necessary in the Eligible Lender’s underwriting practices, including appraisal and legal fees. (See FAQ G.12.)

Key T&C: Eligible Lenders

- ▷ U.S. federally insured depository institutions (including banks, savings associations, and credit unions)
- ▷ U.S. bank holding companies and savings and loan holding companies
- ▷ U.S. branches or agencies of foreign banks
- ▷ U.S. intermediate holding companies of foreign banking organizations
- ▷ Any U.S. subsidiary of any of the above-mentioned institutions

Key T&C: Eligible Borrowers

Small- and Medium-Sized For-profit Businesses	Small- and Medium-Sized Nonprofit Organizations
U.S. business established prior to March 13, 2020	U.S. tax-exempt nonprofit or veterans' organization (described in section 501(c)(3) and (c)(19), respectively, of the Internal Revenue Code) in continuous operation since January 1, 2015
Must not be an Ineligible Business as modified and clarified by SBA regulations for purposes of the PPP (see term sheets and FAQ E.1 and E.13 for details)	Must not be an Ineligible Business as modified and clarified by SBA regulations for purposes of the PPP (see term sheets and FAQ E.1 and E.13 for details)
Have up to 15,000 employees <u>or</u> up to \$5 billion in 2019 annual revenue	<ul style="list-style-type: none"> • Have up to 15,000 employees <u>or</u> up to \$5 billion in 2019 annual revenue • Have at least 10 employees
Must meet the financial criteria described in the term sheets	Have an endowment of less than \$3 billion
	Must meet the financial criteria described in the term sheets

Key T&C: Borrower Conditions and Certifications

- ▷ Borrowers may participate in only one MSLP facility.
- ▷ Borrowers participating in an MSLP facility may not also participate in the Corporate Credit Facilities or the Municipal Liquidity Facility (nonprofit organizations only).
- ▷ Borrowers that have received loans or funds under the Paycheck Protection Plan (PPP) and Economic Injury Disaster Loan programs may also participate in the MSLP
- ▷ Lenders require certain information from borrowers at the time of application and periodically throughout the life of the loan, such as:
 - ▷ General identifying information (e.g., borrower name, address, tax ID number, etc.)
 - ▷ Financial data (e.g., assets, liabilities, revenue, expenses, debt, dividend/equity distributions, etc.)
 - ▷ Collateral information, if applicable (e.g., type, value, etc.)

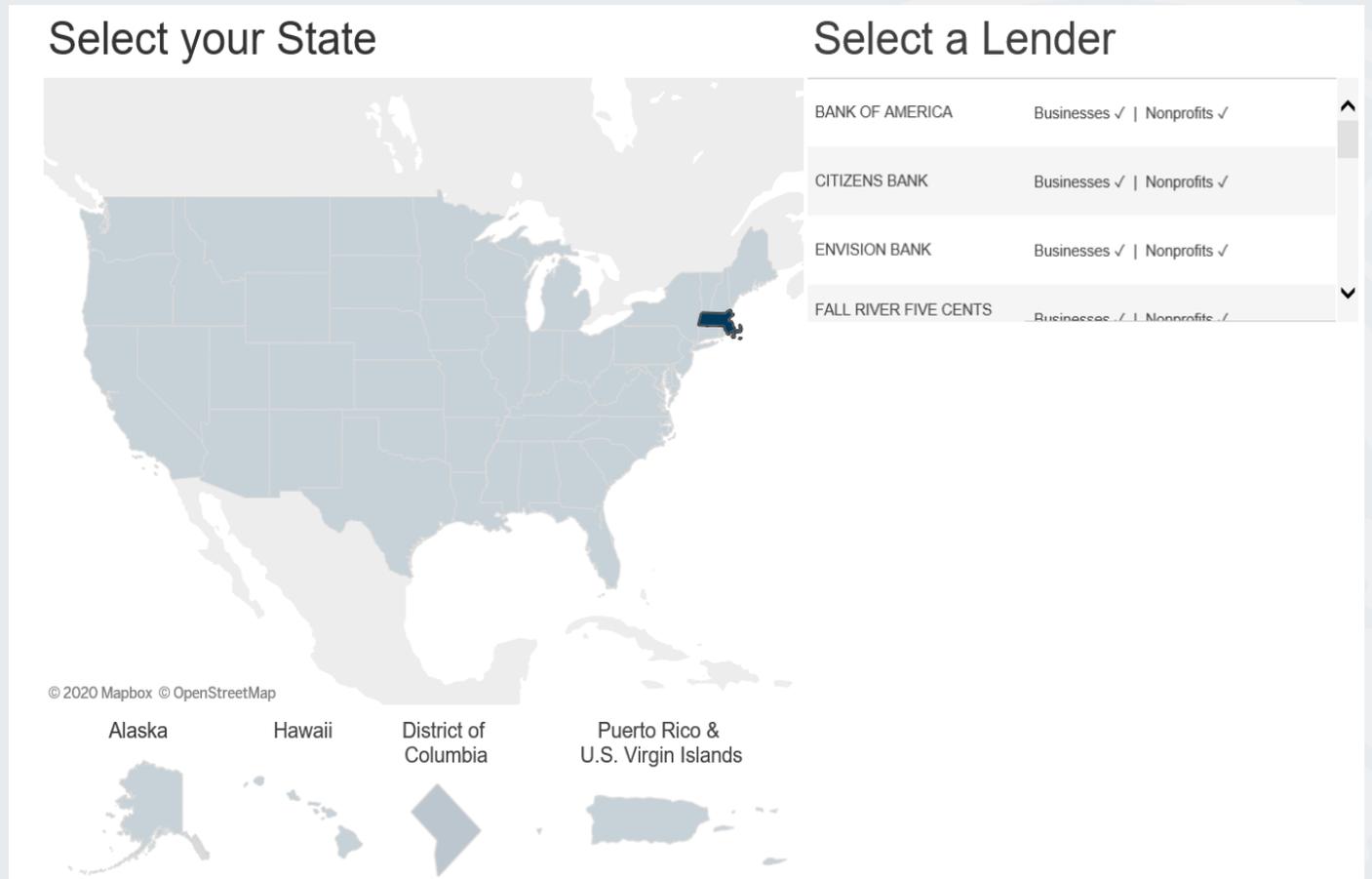
(See Appendix C of the [Program FAQs](#) for a complete listing of required data reporting and timeline.)

Getting Started

- ▶ Interested businesses and organizations should start by reviewing the MSLP requirements and contacting a lender to discuss applying for a MSLP loan that meets their needs.
- ▶ Borrowers must complete required MSLP documentation, as well as the lender's loan documentation.
- ▶ Lenders apply their own underwriting standards in evaluating the financial condition and creditworthiness of borrowers.
- ▶ Lenders determine whether borrowers are approved for an MSLP loan.

Getting Started (continued)

Borrowers can also view a state-by-state listing of lenders participating in the Main Street Lending Program who are currently accepting applications from new customers by viewing the [interactive map](#) on the MSLP website.



The screenshot displays two main sections: "Select your State" and "Select a Lender".

Select your State: A map of the United States with a dark blue pin on Massachusetts. Below the map, there are four small maps representing Alaska, Hawaii, District of Columbia, and Puerto Rico & U.S. Virgin Islands.

Select a Lender: A list of lenders with their participation status for Businesses and Nonprofits.

Lender	Businesses	Nonprofits
BANK OF AMERICA	✓	✓
CITIZENS BANK	✓	✓
ENVISION BANK	✓	✓
FALL RIVER FIVE CENTS	✓	✓

FAQs

- ▷ Are there any prohibitions on the use of MSLP loans?
- ▷ Are lenders expected to be more lenient when making MSLP loans than loans evaluated and made pre-COVID?
- ▷ What is the expectation for exit strategy at the end of the loan with a 70% balloon payment due? Is the Federal Reserve willing to refinance the balance with the bank?
- ▷ What is the difference between the Main Street New Loan Facility and the Main Street Priority Loan Facility? Both seem identical, yet the Priority Loan Facility allows 6x leverage.
- ▷ What if a borrower does not yet have 2019 financial statements?

Additional Resources

- ▷ MSLP information, term sheets, FAQs, and other recorded sessions are located on the [Main Street Lending Program website \(www.bostonfed.org/mslp\)](http://www.bostonfed.org/mslp).
- ▷ [Sign up](#) to receive email alerts for Program updates.
- ▷ Submit inquiries to MSLP@bos.frb.org.



SBA

Q & A