Agenda

• 7(a) Loan Programs
• 504 Loan Program
• 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 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
  - www.sba.gov/lendermatch
- 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
### Connect and Stay Informed

**Houston District Office**

**Address:**
8701 S. Gessner Drive  
Suite 1200  
Houston, TX

**Phone:**  
713-773-6500

**Email:**  
[houston@sba.gov](mailto:houston@sba.gov)

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**On Twitter:**  
[@SBA_Houston](https://twitter.com/SBA_Houston)

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**EMAIL UPDATES**

- **NOVEMBER 16, 2020**  
  MARK YOUR CALENDAR! Upcoming Events!

- **NOVEMBER 13, 2020**  
  MARK YOUR CALENDAR! Upcoming Events!

**GET EMAIL UPDATES**
Overview of the Main Street Lending Program
November 16, 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)

Lenders review and approve loans based on their underwriting criteria prior to submitting loan participation information to the SPV.
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
  ▷ Two facilities for nonprofit organizations

▷ 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.
On October 30, the Federal Reserve announced several changes to the terms to enable as many small- and medium-sized sound for-profit businesses and nonprofit organizations as possible to use the MSLP:

- Lowered the minimum loan size for MSNLF, MSPLF, and NONLF loans from $250,000 to $100,000
- Changed the fee structure for loans with a principal amount of less than $250,000

Program legal documents have been updated to reflect these changes, and the MSLP Portal is now accepting MSNLF, MSPLF, and NONLF loans with a principal amount of $100,000 to $250,000 in accordance with the updated terms.

Updates to the For-Profit Business FAQs and Nonprofit Organization FAQs include:
- Additional guidance on the term sheet changes (FAQs G.7 and G.9)
- Exclusion of certain Paycheck Protection Program (PPP) loans from the calculation of “outstanding debt” (FAQ G.16)
- Guidance from the National Indian Gaming Commission regarding the Main Street Lending Program (For-Profit FAQ K.8)
### Key T&C: Eligible Loans – For-Profit Businesses

<table>
<thead>
<tr>
<th></th>
<th><strong>New Loan Facility</strong></th>
<th><strong>Priority Loan Facility</strong></th>
<th><strong>Expanded Loan Facility</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Loan Term</td>
<td></td>
<td>5 years</td>
<td></td>
</tr>
<tr>
<td>2. Interest Rate</td>
<td>Adjustable rate of LIBOR (1- or 3-month) + 300 basis points (bps)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Interest Payments</td>
<td>Interest deferred for 1 year</td>
<td>unpaid interest will be capitalized</td>
<td></td>
</tr>
<tr>
<td>4. Principal Payments</td>
<td>Principal deferred for 2 years. Years 3–5: 15%, 15%, 70%</td>
<td><strong>prepayment allowed without penalty</strong></td>
<td></td>
</tr>
<tr>
<td>5. Lender Participation Rate</td>
<td>Lender will retain 5% of the loan (or upsized tranche of the loan for Expanded Loan Facility)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Loan Size</td>
<td>$100,000–$35 million</td>
<td>$100,000–$50 million</td>
<td>$10 million–$300 million</td>
</tr>
<tr>
<td>7. Leverage Requirement</td>
<td>4 times debt to adjusted 2019 EBITDA</td>
<td>6 times debt to adjusted 2019 EBITDA</td>
<td></td>
</tr>
<tr>
<td>8. Requirements for Priority and Security</td>
<td>Unsecured or secured loan; may not be contractually subordinated to other debt</td>
<td>Unsecured or secured loan that is senior to or pari passu with, in terms of priority or security, other debt</td>
<td></td>
</tr>
<tr>
<td>9. Loan Fees</td>
<td>Transaction Fee¹: 100 bps (if principal amount of Eligible Loan is &gt;= $250,000</td>
<td>Origination Fee²: 200 bps/100 bps</td>
<td>Transaction Fee¹: 75 bps</td>
</tr>
</tbody>
</table>

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(1) Eligible Lenders will pay the MSLP SPV a transaction fee only if the principal amount of the Eligible Loan is $250,000 or greater. Eligible Lenders may pass on this transaction fee to the Eligible Borrower (see FAQ G.7).

(2) Eligible Borrowers will pay Eligible Lenders an origination fee; the rate depends on the size of the initial Eligible Loan. Eligible Lenders have discretion on whether and when to charge Eligible Borrowers this origination fee (see FAQ G.7).

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

<table>
<thead>
<tr>
<th>Nonprofit New Loan Facility</th>
<th>Nonprofit Expanded Loan Facility</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Loan Term</strong></td>
<td>5 years</td>
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<td><strong>2. Interest Rate</strong></td>
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</tr>
<tr>
<td><strong>6. Loan Size</strong></td>
<td>$100,000–$35 million</td>
</tr>
<tr>
<td><strong>7. Maximum Loan Size</strong></td>
<td>The lesser of $35 million or the borrower’s average 2019 quarterly revenue</td>
</tr>
<tr>
<td><strong>8. Requirements for Priority and Security</strong></td>
<td>Unsecured or secured loan; may not be contractually subordinated to other debt</td>
</tr>
<tr>
<td><strong>8. Loan Fees</strong></td>
<td>Transaction Fee¹: 100 bps (if principal amount of Eligible Loan is &gt;= $250,000)</td>
</tr>
<tr>
<td></td>
<td>Transaction Fee¹: 75 bps</td>
</tr>
</tbody>
</table>

(1) Eligible Lenders will pay the MSLP SPV a transaction fee only if the principal amount of the Eligible Loan is $250,000 or greater. Eligible Lenders may pass on this transaction fee to the Eligible Borrower (see FAQ G.7).

(2) Eligible Borrowers will pay Eligible Lenders an origination fee; the rate depends on the size of the initial Eligible Loan. Eligible Lenders have discretion on whether and when to charge Eligible Borrowers this origination fee (see FAQ G.7).

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

<table>
<thead>
<tr>
<th>Small- and Medium-Sized For-profit Businesses</th>
<th>Small- and Medium-Sized Nonprofit Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. business established prior to March 13, 2020</td>
<td>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</td>
</tr>
<tr>
<td>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)</td>
<td>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)</td>
</tr>
</tbody>
</table>
| Have up to 15,000 employees or up to $5 billion in 2019 annual revenue | • Have up to 15,000 employees or 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.
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).

▷ Sign up to receive email alerts for Program updates.

▷ Submit inquiries to MSLP@bos.frb.org.