

Main Street Lending Program Provides Update for Nonprofit Organizations

The Federal Reserve Board (FRB) has released long-awaited term sheets for loans to nonprofit organizations under the Main Street Lending Program (MSLP). There are two types of nonprofit loans — the Nonprofit Organization New Loan Facility and the Nonprofit Organization Expanded Loan Facility — which generally mirror the New Loan and Expanded Loan facilities under the MSLP for for-profit businesses. The comment period for these facilities ended June 22, 2020, so revised term sheets addressing comments are expected in the near future.

While the eligibility criteria for lenders have not changed from those under the MSLP facilities for for-profit business loans, nonprofit organizations' requirements to qualify as borrowers are naturally different and tailored to the general operation of nonprofit businesses. Nonprofit organizations are eligible for these new loan facilities if the organization:

1. Is an Internal Revenue Code (IRC) 501(c)(3) tax-exempt organization or an IRC 501(c)(19) tax-exempt veterans' organization;
2. Was formed prior to January 1, 2015, and has remained in operation since that time;
3. Has greater than 50 employees **and** (i) fewer than 15,000 employees **or** (ii) \$5 billion or less in 2019 revenue;
4. Has an endowment of less than \$3 billion;
5. Has a 2019 revenue from donations that are less than 30% of total 2019 revenues;
6. Has a ratio of adjusted EBITDA to unrestricted 2019 operating revenue greater than or equal to 5%;
7. Has a ratio (expressed as a number of days) of (i) liquid assets at the time of the origination to (ii) average daily expenses over the previous year, equal to or greater than 90 days;
8. At the time of the origination, has a ratio of (i) unrestricted cash and investments to (ii) existing outstanding and undrawn available debt, plus the amount of any loan under the facility, plus the amount of any [CMS Accelerated and Advance Payments](#) that is greater than 65%;
9. Is a U.S. based organization with the majority of its employees located in the U.S.;
10. Has not received another loan under the Main Street Lending Program.

The terms of the MSLP nonprofit facilities are quite similar to those for the for-profit facilities, as summarized by the [following table](#):

Main Street Lending Program Loan Options

Term	
Minimum Loan Size	
Maximum Loan Size	Lesser of \$
Lender Risk Retention	
Repayment	Year 1: fully deferred interest only payments
Interest Rate	
Security	
Prepayment	
Fees	100bps fee to FRB (100bps 100bps

As we witnessed with the evolution of the MSLP for-profit facilities, changes to these nonprofit facilities are expected. We will provide updates as these revisions occur.

In the meantime, please feel free to reach out to [Andy Leffler](#), [Laura McKinney](#), or your relationship attorney to discuss the Program or any questions you may have.

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