

Main Street Lending Program Now Open for Nonprofits

Key Points

- On July 17, 2020, the Federal Reserve announced two new loan options under the Main Street Lending Program to support nonprofit organizations: the [Nonprofit Organization New Loan Facility](#) ("NONLF") and the [Nonprofit Organization Expanded Loan Facility](#) ("NOELF").
- The generous loan terms under the NONLF and NOELF are available to a broad range of nonprofits, including hospitals, senior care and housing communities, museums, animal rights organizations, performing arts organizations, educational institutions, and social service organizations.
- The Federal Reserve has relaxed the original eligibility criteria proposed for the loans.

Under terms released July 17, 2020, [the Federal Reserve announced](#) the expansion of its Main Street Lending Program to nonprofit organizations as relief during the coronavirus pandemic. Eligible nonprofit organizations may now take advantage of the program's favorable NONLF and NOELF options with loans ranging from \$250,000 to \$300 million. The extension to nonprofits is the latest development in the Central Bank's program for purchasing loans made to eligible entities. This program was first launched in March as part of an emergency response to the economic crisis.

Nonprofit Eligibility Criteria for Main Street Lending Program

To qualify either for the NONLF or NOELF, a borrower must be either a tax-exempt charitable organization under Internal Revenue Code ("IRC") section 501(c)(3) or a tax-exempt veterans' organization under IRC section 501(c)(19) that:

- has been operating continuously since January 1, 2015;
- does not fall under the definition of an "ineligible business;"
- either has 15,000 or fewer employees or \$5 billion or less in 2019 annual revenue;
- has a minimum of 10 employees;
- has an endowment of less than \$3 billion;
- has total non-donation revenues equal to or greater than 60% of expenses from 2017 to 2019;



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- has a 2019 operating margin of 2% or more;
- has at least 60 current days' cash on hand;
- has current debt repayment capacity (based on ratio of resources to liabilities) of greater than 55%;
- was created or organized in the U.S. or under U.S. laws, with significant operations and a majority of employees based in the U.S.;
- does not also participate in certain other Federal Reserve loan programs; and
- has not received specific support under the Coronavirus Economic Stabilization Act of 2020 (Subtitle A of Title IV of the CARES Act).

Certain eligibility terms have been eased since the initial proposal in response to public comments. For example, nonprofits with fewer than 50 employees were slated to be excluded from participating in the NONLF or NOELF; the Federal Reserve dropped the threshold to 10 employees. Similarly, the requirements for non-donation revenue, operating margins, minimum cash on hand, and debt repayment capacity are less conservative than initially proposed.

Terms for New and Expanded Loans for Nonprofits

The Federal Reserve offers loan options under the Main Street Lending Program as a means to grant wider access to credit on better terms than can be accessed in the private market. The terms of the loan facilities released for nonprofits are summarized below:

Nonprofit New Loans (**NONLF**)

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| <i>Loan Term:</i> | 5 years |
| <i>Minimum Loan Size:</i> | \$250,000 |
| <i>Maximum Loan Size:</i> | Lesser of \$35 million or borrower's average 2019 quarterly revenue |
| <i>Transaction Fee:</i> | 1% of principal |
| <i>Servicing Fees:</i> | Origination fee up to 1% 0.25% per annum servicing |
| <i>Lender Risk Retention:</i> | 5% |
| <i>Principal Repayment:</i> | Principal deferred for two years Principal amortization of 15% at the end of 3rd year Principal amortization of 15% at the end of 4th year Balloon payment of 70% at maturity (end of 5th year) |
| <i>Interest Payments:</i> | Deferred for one year Prepayment permitted |
| <i>Rate:</i> | Adjustable rate of LIBOR (1 or 3 month) + 3% |

Nonprofit Expanded Loans (**NOELF**)

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|-------------------------------|--|
| <i>Loan Term:</i> | 5 years |
| <i>Minimum Loan Size:</i> | \$10 million |
| <i>Maximum Loan Size:</i> | Lesser of \$300 million or borrower's average 2019 quarterly revenue |
| <i>Transaction Fee:</i> | 0.75% of principal |
| <i>Servicing Fees:</i> | Origination fee up to 0.75% 0.25% per annum servicing |
| <i>Lender Risk Retention:</i> | 5% |
| <i>Principal Repayment:</i> | Principal deferred for two years Principal amortization of 15% at the end of 3rd year Principal amortization of 15% at the end of 4th year Balloon payment of 70% at maturity (end of 5th year) |
| <i>Interest Payments:</i> | Deferred for one year Prepayment permitted |
| <i>Rate:</i> | Adjustable rate of LIBOR (1 or 3 month) + 3% |

For the NONLF, an eligible loan is either a secured or unsecured term loan from a U.S. federally insured bank or other eligible lender originated after June 15, 2020. For the NOELF, an eligible loan may be either a secured or unsecured term loan or revolving credit facility from an eligible lender originated after June 15, 2020 that has a remaining maturity of at least 18 months.

Among the borrower certifications and covenants, an eligible nonprofit must refrain from repaying any principal or interest on other debt until the eligible loan is fully repaid, unless such payments are mandatory and due. It cannot seek to cancel or reduce any of its committed lines of credit, whether with the eligible lender or not. The nonprofit must also certify it has a reasonable basis to believe it can meet its financial obligations for at least the next 90 days and will not file for bankruptcy during that period. While the loan is outstanding, nonprofits should make "reasonable efforts" to maintain payroll and retain employees.

For further information on the Main Street Lending Program loans and other available coronavirus relief, please contact [Pam Kaufmann](#) or [Nancy Dollar](#).

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