Main Street Loans to Be Extended to Nonprofits

On July 17, 2020, the Board of Governors of the Federal Reserve System (Federal Reserve) announced the terms of an expansion of the Main Street Lending Program to include loan facilities that would allow for nonprofit borrowers. The Main Street Lending Program opened on June 15, 2020, and is meant to increase access to capital for small- and medium-sized businesses that were in sound financial condition before the onset of the Coronavirus Disease 2019 (COVID-19) pandemic. Under the Main Street Lending Program, commercial banks lend to companies, and then the majority of each loan is purchased by the Federal Reserve. While nonprofit organizations were eligible for small business administration loans (such as Paycheck Protection Program (PPP) Loans), they were not eligible to receive loans under the Main Street Lending Program. The Federal Reserve had originally proposed an extension of the Main Street Lending Program to schools, hospitals, and other social-welfare organizations. In early June 2020, the Federal Reserve proposed the creation of two loan facilities that would be specifically designated for nonprofit organizations and released drafts of term sheets for public review and comment.

According to the updated term sheets released by the Federal Reserve on July 17, 2020, there are two new lending facilities that will focus on nonprofit borrowers. Both will permit borrowers to lend to tax-exempt nonprofit organizations described in section 501(c)(3) or tax-exempt veterans’ organizations described in section 501(c)(19). Other forms of nonprofit organizations may be considered for inclusion at the discretion of the Federal Reserve.

The first lending facility is the Nonprofit Organization New Loan Facility (NONLF), which is meant to be an analog to the for-profit New Loan Facility. The second is the Nonprofit Organization Expanded Loan Facility (NOELF), which is meant to be analog to the for-profit Expanded Loan Facility. The main
difference between the two new loan facilities is the minimum and maximum amounts of the loan and the fees associated with each loan. These new loan facilities will only be open to certain nonprofit borrowers with at least 10 employees and as many as 15,000 employees that have been in operation for at least five years. Additionally, the nonprofit borrowers must have an endowment of no more than $3 billion. The loans will carry a 3% interest rate and a five-year term. Under these facilities, the Federal Reserve will be purchasing 95% of the loans from commercial lenders. The expansion of the Main Street Lending Program to certain nonprofit organizations will give nonprofits more options for economic relief during this difficult time.

For more information and updates on the developing situation, visit GT's Health Emergency Preparedness Task Force: Coronavirus Disease 2019 or GT’s COVID-19 Economic Stimulus Team.

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