



## Public Finance Practice Groups

## Main Street Loan Program Now Available to Nonprofit Organizations

Syracuse ♦ Ithaca ♦ New York City

July 2020

On July 17, 2020, the Federal Reserve Board announced two loan options under the Main Street Lending Program for nonprofit organizations such as educational institutions, hospitals, and social service organizations. Prior to applying for a loan under the Program, nonprofit organizations should review existing loan agreements to make sure incurring new indebtedness or unsubordinated indebtedness is permitted without lender consent. Nonprofit organizations interested in these loans should contact their current lender first to determine if the lender is participating in the Program.

To find lenders participating in the program, click on this link: <https://www.bostonfed.org/supervision-and-regulation/supervision/special-facilities/main-street-lending-program/information-for-borrowers.aspx>

Eligible Borrowers: To be eligible, a nonprofit organization, among other things:

- must be a tax-exempt organization as described in Section 501(c)(3) or 501(c)(19) of the Internal Revenue Code of 1986, as amended.
- have been continuously in operation since January 1, 2015.
- have at least 10 employees.
- have an endowment of less than \$3 million.
- have total non-donation revenues equal to or greater than 60% of expenses for the period from 2017 through 2019; 2019 operating margin of 2% or more; 60 days current days cash on hand and current debt repayment capacity of greater than 55%.
- have not received specific support pursuant to the CARES Act but may have received a Paycheck Protection Program loan.

Loan Terms: 5 years term; principal payment deferral for 2 years; interest payment deferral for first year and variable interest rate equal to LIBOR (1 month or 3 month), plus 3% per annum. For new loans, borrowers will be charged a 1% transaction fee and may be charged an origination fee of up to 1% and for increases in existing lines of credit up to .75%. Unlike Paycheck Protection Program loans, Main Street Lending Program loans are not forgivable.

A nonprofit borrower must agree not to repay the principal balance of, or pay any interest on, any debt until the Main Street Program loan is repaid in full, unless the debt or interest payment is mandatory and due; not to seek to cancel or reduce any of its committed lines of credit with any lender; and to follow certain compensation and capital distribution restrictions. A nonprofit borrower must certify that it has a reasonable basis to believe that, as of the date of origination of the Main Street Program loan and after giving effect to such loan, it has the ability to meet its financial obligations for at least the next 90 days and does not expect to file for bankruptcy during that time period. A nonprofit borrower must make commercially reasonable efforts to retain employees while the Main Street Lending Program loan is outstanding.

Refer to the Federal Reserve Board's announcement and term sheets for full details. <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200717a.htm>

The Federal Reserve Board's Frequently Asked Questions contain useful guidance. <https://www.federalreserve.gov/covid-19-faqs.htm>

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