

Fed Expands Main Street Lending Program to Include Nonprofits

BY MALLORY DREYER AND KALEB NYGAARD

Original post [here](#).

For a timeline of significant changes and events related to the Main Street Lending Program, see [YPFS's timeline](#).

On [July 17](#), the Federal Reserve expanded eligibility for the Main Street Lending Program (MSLP) to include nonprofit organizations such as educational institutions, hospitals, and social service organizations. The Fed will purchase 95% participations in loans to nonprofits under terms that are similar to terms it previously announced for for-profit companies, with additional criteria tailored to non-profit organizations.

The Fed sought public comment on making this expansion in an announcement on [June 15](#).

There are two facilities under the MSLP for nonprofit organizations: the [new loan facility](#) and the [expanded loan facility](#). The terms of the nonprofit organization loan facilities are similar to the terms of the for-profit business loan facilities. The interest rate for nonprofit loans, like for-profit loans, is set at LIBOR plus 300 basis points. Nonprofit loans will also have a five-year term, with principal deferred for two years and interest deferred for one.

In order to be eligible for the MSLP, a nonprofit organization must be US-based and operational since at least January 1, 2015. Organizations must have more than 10 employees. An eligible organization must also have either less than 15,000 employees or have 2019 revenues of \$5 billion or less. The organization's total non-donation revenues must be equal to or greater than 60% of its expenses between 2017 and 2019. Eligible nonprofits must have an endowment of less than \$3 billion. These organizations must have a ratio of adjusted 2019 earnings before interest, depreciation, and amortization (EBIDA) to unrestricted 2019 operating revenue of at least 2%. The table below provides more details regarding the terms of the loans.

The Fed announced the MSLP for for-profit businesses on [April 9](#). The program began accepting lender registration on [June 15](#) and the Federal Reserve Bank of Boston, which manages the program, announced that the program was fully operational on [July 6](#).

As of [July 16](#), the MSLP SPV had purchased its first \$12 million participation in a loan through the for-profit loan facilities. This loan went entirely to 15 medical practices in Wisconsin, according to the Treasury Secretary in Congressional testimony on [July 17](#).

The Boston Fed has updated the MSLP FAQs six times. On [June 20](#), it clarified what actions are required of borrowers and lenders to certify that the borrower is not a

covered entity, which is a firm that is more than 20% owned by government officials. The [June 26](#) update included clarifications about calculating compensation and the financial information required from borrowers. The [July 15](#) update clarified rules for businesses established in 2020, among other changes.

Proposed Main Street Lending Program Nonprofit Loan Options	Nonprofit New Loans	Nonprofit Expanded Loans
Term	5 years	
Minimum Loan Size	\$250,000	\$10M
Endowment Cap	\$3 billion	
Years in Operation	At least 5 years	
Eligibility Criteria	Minimum employees of 10 and less than 15,000 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 Current days cash on hand 60 days Current debt repayment capacity—ratio of cash, investments and other resources to outstanding debt and certain other liabilities—of greater than 55%	
Maximum Loan Size	The lesser of \$35M, or the borrower’s average 2019 quarterly revenue	The lesser of \$300M, or the borrower’s average 2019 quarterly revenue
Risk Retention	5%	
Principal Repayment	Principal deferred for two years; years 3-5: 15%, 15%, 70%	

Interest Payments	Deferred for one year
Rate	LIBOR + 3%
