

COVID-19: Federal Reserve Expands Main Street Lending Program Following Program Launch

08.05.2020

The Federal Reserve recently announced it was expanding access to the Main Street Lending Program (MSLP) for nonprofit organizations. On July 17, 2020, the Federal Reserve released term sheets for two new loan facilities under the MSLP: the Nonprofit Organization New Loan Facility (NONLF) and the Nonprofit Organization Expanded Loan Facility (NOELF).

These Nonprofit Facilities provide thousands of nonprofits, including hospitals, museums, animal rights organizations, educational institutions, and social service organizations that were in sound financial condition prior to the COVID-19 pandemic access to MSLP loans.

Eligible Lenders Under the Nonprofit Facilities

Eligible Lenders under the Nonprofit facilities include US insured depository institutions, bank holding companies, and savings and loan holding companies. These are the same lenders under the for-profit facilities of the MSLP.

Eligible Borrowers Under the Nonprofit Facilities

Eligibility for loans under the NONLF and NOELF is limited to borrowers organized in the US and recognized as either a tax-exempt organization under IRC § 501(c)(3) or a tax-exempt veterans' organization under IRC §501(c)(19). In addition, an Eligible Borrower is one that:

- has been in continuous operation since January 1, 2015;
- is not an Ineligible Business;
- meets at least one of the following two conditions: (i) has 15,000 employees or fewer or (ii) had 2019 annual revenues of \$5 billion or less;

COVID-19: FEDERAL RESERVE EXPANDS MAIN STREET LENDING PROGRAM FOLLOWING PROGRAM LAUNCH

- 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 for the three-year period from 2017 to 2019;
- has a ratio of adjusted 2019 earnings before interest, depreciation and amortization (EBIDA) to unrestricted 2019 operating revenue of at least 2%;
- has a ratio (expressed as a number of days) of (i) liquid assets at the time of the origination (of the upsized tranche in the case of NOELF loans) to (ii) average daily expenses over the previous year, equal to or greater than 60 days;
- 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 Centers for Medicare & Medicaid Services Accelerated and Advance Payments, that is greater than 55%;
- has significant operations in and a majority of its employees based in the US;
- does not also participate in any other Main Street Lending Program, the Primary Market Corporate Credit Facility, or the Municipal Liquidity Facility; and
- has not received specific support pursuant to Section 4003(b)(1)-(3) of Subtitle A of Title IV of the CARES Act (i.e., any Title IV programs for air carriers and related businesses, cargo air carriers, and businesses critical to maintaining national security).

Eligible Loan Terms Under the Nonprofit Facilities

Eligible Loans under the NONLF are secured or unsecured term loans made after June 15, 2020. Eligible Loans under NOELF are secured or unsecured term loans or credit revolving facilities made after June 15, 2020 that have a remaining maturity of at least 18 months. The following chart provides a summary of the key features and terms for Eligible Loans under each of the Nonprofit Facilities:

Nonprofit Borrower Required Certifications Under the Nonprofit Facilities

In addition to other certifications required by law, including those required by the CARES Act, an Eligible Borrower must attest and/or certify that:

COVID-19: FEDERAL RESERVE EXPANDS MAIN STREET LENDING PROGRAM FOLLOWING PROGRAM LAUNCH

- proceeds of the Eligible Loan will not be used to repay or refinance pre-existing loans;
- it will not seek to reduce or cancel any of its existing lines of credit;
- it will refrain from repaying any principal or interest on other debt of equal or lower priority (other than mandatory principal payments) until the Eligible Loan has been fully repaid;
- it will make reasonable efforts to maintain its payroll and retain its employees during the term of the Eligible Loan; and
- it has a reasonable basis to believe it can meet its financial obligations for a minimum of the next 90 days and that it will not file bankruptcy during those 90 days.

Federal Reserve Announces Expansion of Main Street Lending Program and Other Lending Facilities to End of Year

On Tuesday, July 28, 2020, the Federal Reserve released a statement announcing an extension through December 31, 2020 of several of its lending facilities, including the MSLP, that were set to expire on or around September 30, 2020. In the release, the Federal Reserve stated that extension should “facilitate planning by potential facility participants and provide certainty that the facilities will continue to be available to help the economy recover from the COVID-19 pandemic.” This is welcome news considering many states have been forced to roll back reopening businesses given the recent resurgence of new COVID-19 cases across the US.

How to Apply

To obtain a loan under the MSLP, an interested for-profit or nonprofit entity should contact an Eligible Lender to determine the entity’s eligibility. Eligible entities who meet the requirements for any of the available facilities under the MSLP shall work together with the Eligible Lender to submit an application to the Eligible Lender with all other documentation required by the Eligible Lender’s underwriting process.

For more information on the MSLP, please visit the MSLP page or contact an attorney in our Corporate group. Bailey & Glasser stands ready to assist you with any further questions or concerns you may have regarding applying for a loan under the MSLP.

Attorneys

Marc R. Weintraub

COVID-19: FEDERAL RESERVE EXPANDS MAIN STREET LENDING PROGRAM FOLLOWING
PROGRAM LAUNCH

Practice Areas

Banking & Financial Services

Business & Finance

Business Litigation & Counseling