

Recent Updates on the Main Street Lending Program Applicable to Nonprofits

The Main Street Lending Program (MSLP) includes facilities for for-profit businesses as well as nonprofit organizations. The Federal Reserve Board has recently announced a number of clarifications and changes to the Main Street Lending Program applicable to nonprofit organizations which we highlight below.

1. Modification of the MSLP to Provide Greater Access to Credit for Nonprofits

On July 17, 2020, the Federal Reserve Board announced certain modifications to the terms of the MSLP nonprofit loans, allowing for greater participation by nonprofit organizations, such as educational institutions, hospitals and social service organizations. The revised terms include the following:

- Minimum number of employees: 10 (previously 50);
- Total non-donation revenues equal to or greater than 60% of expenses for the period from 2017 through 2019 (previously 70% of revenues);
- 2019 operating margin of greater than or equal to 2% (previously 5%);
- Current days cash on hand: equal to or greater than 60 days (previously 90 days); and
- Current debt repayment capacity—ratio of cash, investments and other resources to outstanding debt and certain other liabilities—of greater than 55% (previously 65%).

The updated MSLP term sheets can be found [here](#).

2. Publication of Frequently Asked Questions (FAQs) for Nonprofits

The Federal Reserve Board published FAQs providing guidance on the MSLP for nonprofit organizations on July 23, 2020 and updated the FAQs on July 31, 2020. The FAQs provide additional information regarding eligibility requirements under the MSLP and the terms and conditions of the nonprofit organization facilities. The FAQs include specific guidance as to the calculation of non-donation revenues and the eligibility of hospitals owned by governmental entities. The FAQs also clarify that a public hospital or public college or university that is not recognized as tax exempt under section 501(c)(3) of the Internal Revenue Code may still qualify as an eligible borrower under the MSLP, under certain circumstances.

The FAQs were further updated on August 6, 2020 to provide guidance regarding the calculation of “total compensation” for purposes of complying with limits on compensation under the direct loan restrictions. The updated FAQs can be found [here](#).

3. Extension of the MSLP through December 31, 2020

On July 28, 2020, the Federal Reserve Board announced it was extending the MSLP through December 31, 2020. The MSLP was originally scheduled to expire on or around September 30, 2020.

4. Amendment of Forms and Agreements

As of July 31, 2020, the legal forms and agreements for eligible borrowers and lenders to participate in the MSLP have been amended to include the nonprofit organization facilities. The amended forms and agreements can be found [here](#).

The MSLP's nonprofit organization facilities are not yet operational, but the launch date is expected to be announced soon.

For an overview of the MSLP, please read this [information memo](#).

The attorneys at Bond, Schoeneck & King can help by answering your questions regarding the MSLP and whether your business or nonprofit organization meets the MSLP eligibility criteria. Please contact [Jeffrey B. Scheer](#), any of the attorneys in the [Business and Transactions practice](#), or the attorney at the firm with whom you are regularly in contact.



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