

FEDERAL RESERVE SYSTEM

# Main Street Lending Program

## Main Street Lending Program for Nonprofit Organizations

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# Welcome

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## Webinar

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# Agenda for Today's Session

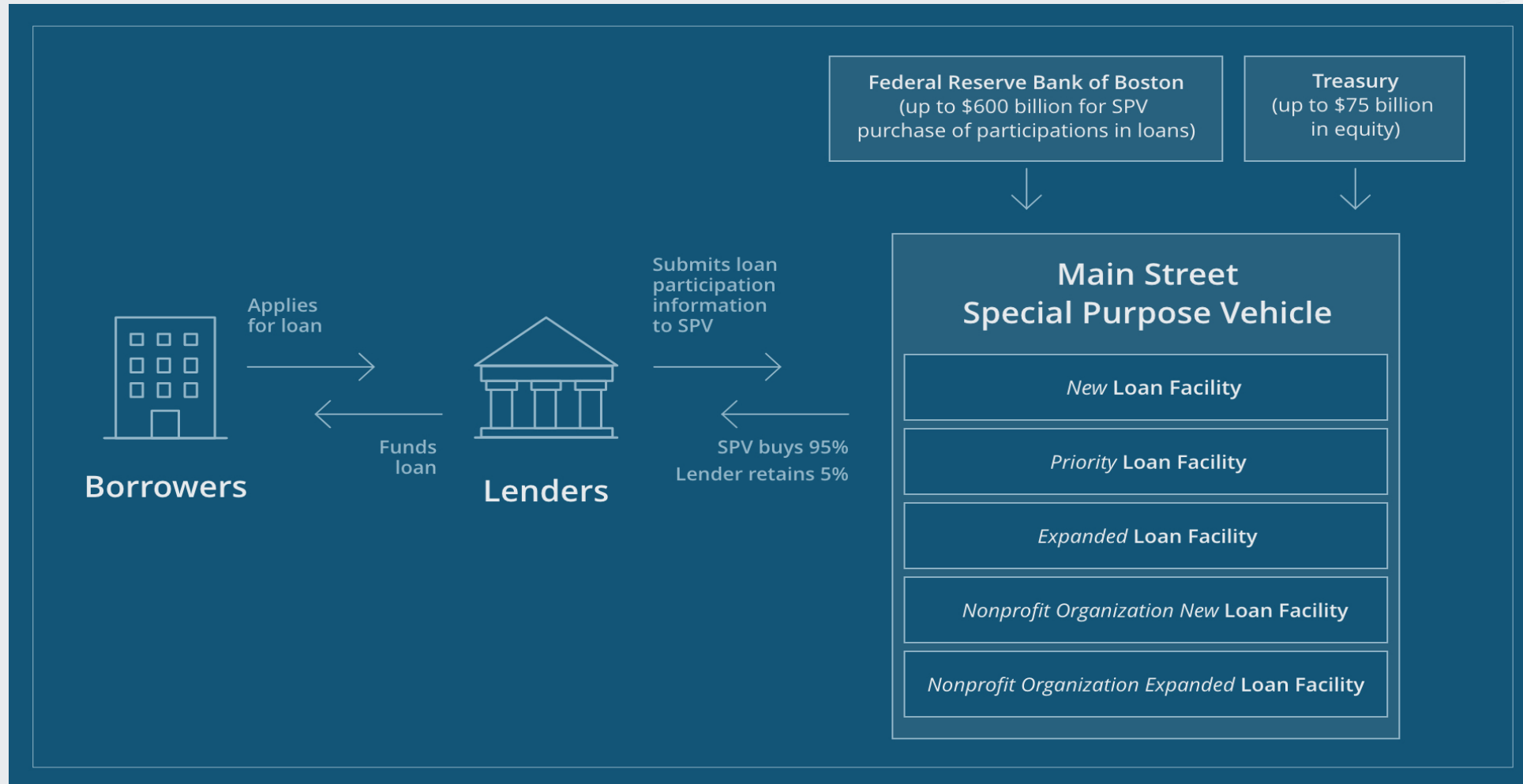
- ▷ Overview of the Main Street Lending Program (Main Street or Program)
- ▷ Key Terms and Conditions
- ▷ Steps for Lender Participation
- ▷ Questions and Answers
- ▷ Additional Resources

# Main Street Overview

- ▷ On July 17, 2020, the Federal Reserve expanded the Main Street Lending Program to support small- and medium-sized ***nonprofit organizations***
  - ▷ In sound financial condition before the onset of the COVID-19 pandemic
  - ▷ That now need loans to help maintain or bridge their operations and payroll.
- ▷ By providing additional lending capacity, the Program aims to enable as many sound nonprofit organizations as possible to retain operational capacity to support a quick economic recovery.
- ▷ The Program creates additional lending capacity through two important actions:
  - ▷ Sharing risk that would otherwise be absorbed solely by lenders
  - ▷ Creating additional balance sheet capacity for lenders to extend more loans



# Main Street Overview (continued)



# Eligible Loans

- ▷ The Program offers two nonprofit loan options, each with different features to meet the needs of small- and medium-sized nonprofit organizations:
  - ▷ Wide range of loan sizes
  - ▷ Attractive repayment terms
  - ▷ Deferred interest for one year
  - ▷ Secured or unsecured loans
- ▷ *Nonprofit* organization loan terms are similar to those of *for-profit* businesses, with certain adjustments to reflect differences in operating models.
- ▷ The features of loans available to nonprofit organizations are detailed in the chart on the following page and in the [Program term sheets](#).

## Eligible Loans (continued)

	<i>Nonprofit New Loan Facility</i>	<i>Nonprofit Expanded Loan Facility</i>
<b>Loan Term</b>	5 years	
<b>Interest Rate</b>	Adjustable rate of LIBOR (1 or 3 month) + 300 basis points	
<b>Principal Payments</b>	Principal deferred for 2 years. Years 3-5: 15%, 15%, 70%	
<b>Interest Payments</b>	Interest deferred for 1 year	
<b>Loan Size</b>	\$250,000–\$35 million	\$10 million–\$300 million
<b>Maximum Loan Size</b>	The lesser of \$35 million or the borrower's average 2019 quarterly revenue	The lesser of \$300 million or the borrower's average 2019 quarterly revenue
<b>Lender Participation Rate</b>	Lender will retain 5% of the loan	Lender will retain 5% of the upsized tranche of the loan
<b>Main Street SPV Participation Rate</b>	Main Street SPV will purchase a 95% interest in the loan	Main Street SPV will purchase a 95% interest in the upsized tranche of the loan
<b>Prepayment Allowed</b>	Yes, without penalty	
<b>Loan Fees</b>	Origination and transaction fees may apply	

# Eligible Lenders

- ▷ U.S. federally insured depository institutions (including banks, savings associations, and credit unions)
- ▷ U.S. bank holding companies and savings and loan holding companies
- ▷ U.S. branches or agencies of foreign banks
- ▷ U.S. intermediate holding companies of foreign banking organizations
- ▷ Any U.S. subsidiary of any of the above-mentioned institutions



# Eligible Borrowers

- ▷ U.S. tax-exempt nonprofit organization or veterans' organization (described in 501(c)(3) and (c)(19), respectively, of the tax code) in continuous operation since January 1, 2015 (see [term sheets](#) on the Main Street website for details)
- ▷ Up to 15,000 employees or up to \$5 billion in 2019 annual revenue
- ▷ At least 10 employees
- ▷ Endowment of less than \$3 billion
- ▷ Must not be an Ineligible Business as modified and clarified by SBA regulations for purposes of the PPP (see [term sheets](#) on the Main Street website for details)

## Eligible Borrowers (continued)

- ▶ **Non-donation revenues:** Must cover at least 60% of expenses for the period from 2017 through 2019.
- ▶ **Operating margin:** The ratio of adjusted 2019 earnings before interest, depreciation, and amortization (EBIDA) to unrestricted 2019 operating revenue is greater than or equal to 2%.
- ▶ **Cash on hand:** The ratio (expressed as a number of days) of liquid assets at the time of loan origination to average daily expenses over the previous year is equal to or greater than 60 days.
- ▶ **Debt repayment capacity:** The ratio of unrestricted cash and investments to existing outstanding and undrawn available debt, plus certain other liabilities, is greater than 55%.

# Borrower Conditions

- ▷ Nonprofit borrowers may participate in only one of the Main Street facilities.
- ▷ Nonprofit borrowers participating in a Main Street facility may not also participate in the Primary Market Corporate Credit facility or the Municipal Liquidity Facility.
- ▷ Nonprofit borrowers that have received loans or funds under the following programs may also receive Main Street loans:
  - ▷ CARES Act PPP loan program
  - ▷ Economic Injury Disaster Loan (EIDL) advance

# Borrower Certifications

- ▷ Lenders should instruct borrowers to review the borrower certifications and covenants in the [term sheets](#), which include certifications required by the CARES Act.
  
- ▷ Borrowers will certify to, among other things, the following:
  - ▷ Prohibition on early debt repayment
  - ▷ Prohibition on reduction in lines of credit
  - ▷ Ability to meet financial obligations for at least the next 90 days
  - ▷ CARES Act restrictions on compensation and other payouts
  - ▷ CARES Act prohibition on conflicts of interest

# Lender Registration

- ▷ Lenders can register now through the [Main Street Lender Portal](#).
  - ▷ Two required lender registration forms (Lender Registration Certifications & Covenants, Wire Instructions) need to be completed in the Portal.
- ▷ Registration steps include verifications of lender information and an operational authentication process that the Federal Reserve Bank of Boston will coordinate directly with the lender.
- ▷ It is expected to take a minimum of two business days to complete the registration process.



# Assess Borrower Needs and Make Lending Decision

- ▷ Lenders should assess each borrower's fit for the program based on:
  - ▷ The required terms and conditions of the various Main Street loan facilities and
  - ▷ The lender's own underwriting processes to assess the financial condition and creditworthiness of the borrower
- ▷ Although there's a high degree of uncertainty in predicting the economic impact of COVID-19 and its effect on individual borrowers, lenders are encouraged to work with borrowers affected by the pandemic to originate or expand loans under the Program.
- ▷ Lenders determine whether borrowers are approved for Main Street loans.
- ▷ Legal forms, operational documents, and FAQs for *nonprofit* organizations are in development and will be available soon.

## To Ask a Question

- ▷ Use the chat feature in the webinar (***Ask Question*** button on bottom of screen).
- ▷ Email your question to: [questions@askthefed.org](mailto:questions@askthefed.org).

# Thank You for Submitting Questions

- ▷ When will the nonprofit Program be operational?
- ▷ Given the recent announcement of the nonprofit facility, do you expect the Program to be extended beyond September 30?
- ▷ How is non-donation revenue defined (e.g., does it include/exclude grants)?
- ▷ How is EBIDA calculated?

## Additional Resources

- ▷ Program information and term sheets are located on the [Main Street Lending Program website \(www.bostonfed.org/mslp\)](http://www.bostonfed.org/mslp).
- ▷ Program forms and FAQs for *nonprofit* organizations are in development and will be available soon. [Sign up](#) to receive email alerts for Program updates.
- ▷ Submit inquiries to [MSLP@bos.frb.org](mailto:MSLP@bos.frb.org).

Thanks for joining us.

