

## MSLP Nonprofit Organization Loan Facilities

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On September 4, 2020, the Board of Governors of the Federal Reserve System (the “Fed”) announced that the Main Street Lending Program (MSLP) is now accepting eligible loans to nonprofit organizations from registered lenders at the Main Street Lender Portal, which can be found [here](#).

The MSLP has been accepting eligible loans to for-profit businesses since July 6, 2020. For a detailed description of the MSLP, see our prior alert [here](#). On July 17, 2020, the Fed announced that the MSLP would be expanded to a broad range of nonprofit organizations.

Recognizing the vital services performed by many nonprofit organizations (such as educational institutions, hospitals and social service organizations) and in light of the millions of Americans employed by such nonprofit organizations, the MSLP provides two loan facility options to eligible nonprofit organization borrowers. The Nonprofit Organization New Loan Facility or “NONLF,” and the Nonprofit Organization Expanded Loan Facility or “NOELF” include many of the same terms applicable to for-profit business borrowers under the MSLP (including as to the interest rate, principal and interest payment deferral, five-year term, and minimum and maximum loan sizes).

However, as reflected in the MSLP Term Sheets for the [NONLF](#) and [NOELF](#), a number of different eligibility standards based on nonprofit organization operating models must be satisfied to qualify for the MSLP. Chief among these requirements, an eligible borrower must constitute a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code (relating to charitable, educational, scientific, religious, literary, etc. organizations) or a veterans organization described in Section 501(c)(19) of the Internal Revenue Code.

Additional qualification standards for nonprofit organization borrowers have been outlined by the Fed as reflected in the following chart:

Main Street Lending Program Nonprofit Organization Loan Options	NONLF	NOELF
Term	5 years	
Minimum Loan Size	\$250,000	\$10 million
Endowment Cap	\$3 billion	
Years in Operation	At least 5 years	
Eligibility Criteria (See Term Sheets for More Detail)	<ul style="list-style-type: none"> <li>■ Minimum employees 10</li> <li>■ Total non-donation revenues equal to or greater than 60% of expenses for the period from 2017 through 2019</li> </ul>	

	<ul style="list-style-type: none"> <li>■ 2019 operating margin of 2% or more</li> <li>■ Current days cash on hand 60 days</li> <li>■ Current debt repayment capacity—ratio of cash, investments and other resources to outstanding debt and certain other liabilities—of greater than 55%</li> </ul>	
Maximum Loan Size	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
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%	

For more information regarding the availability of the MSLP as it relates to an eligible nonprofit organization borrower, please contact [Malcolm G. Henderson](#) or your attorney at Foley Hoag.

*Disclosure: Certain attorneys at Foley Hoag have been engaged to advise the Federal Reserve Bank of Boston (which administers the MSLP for the Fed) on the adaptation of the MSLP to accommodate nonprofit organization borrowers. However, numerous procedures have been instituted within Foley Hoag to maintain an information barrier and ethical wall ensuring no involvement in any client matters pertaining to the MSLP by those attorneys engaged in advising the Federal Reserve Bank of Boston regarding the MSLP.*

Foley Hoag has formed a firm-wide, multi-disciplinary [task force](#) dedicated to client matters related to the novel coronavirus (COVID-19). For more guidance on your COVID-19 issues, visit our [Resource Page](#) or contact your Foley Hoag attorney.

#### RELATED PRACTICES

- [Debt Finance](#)
- [COVID-19 Task Force](#)
- [Nonprofit & Tax-Exempt Organizations](#)
- [Business Counseling](#)

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