

FEDERAL RESERVE SYSTEM

Main Street Lending Program

Main Street Lending Program for Nonprofit Organizations

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Welcome

Logistics

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Webinar

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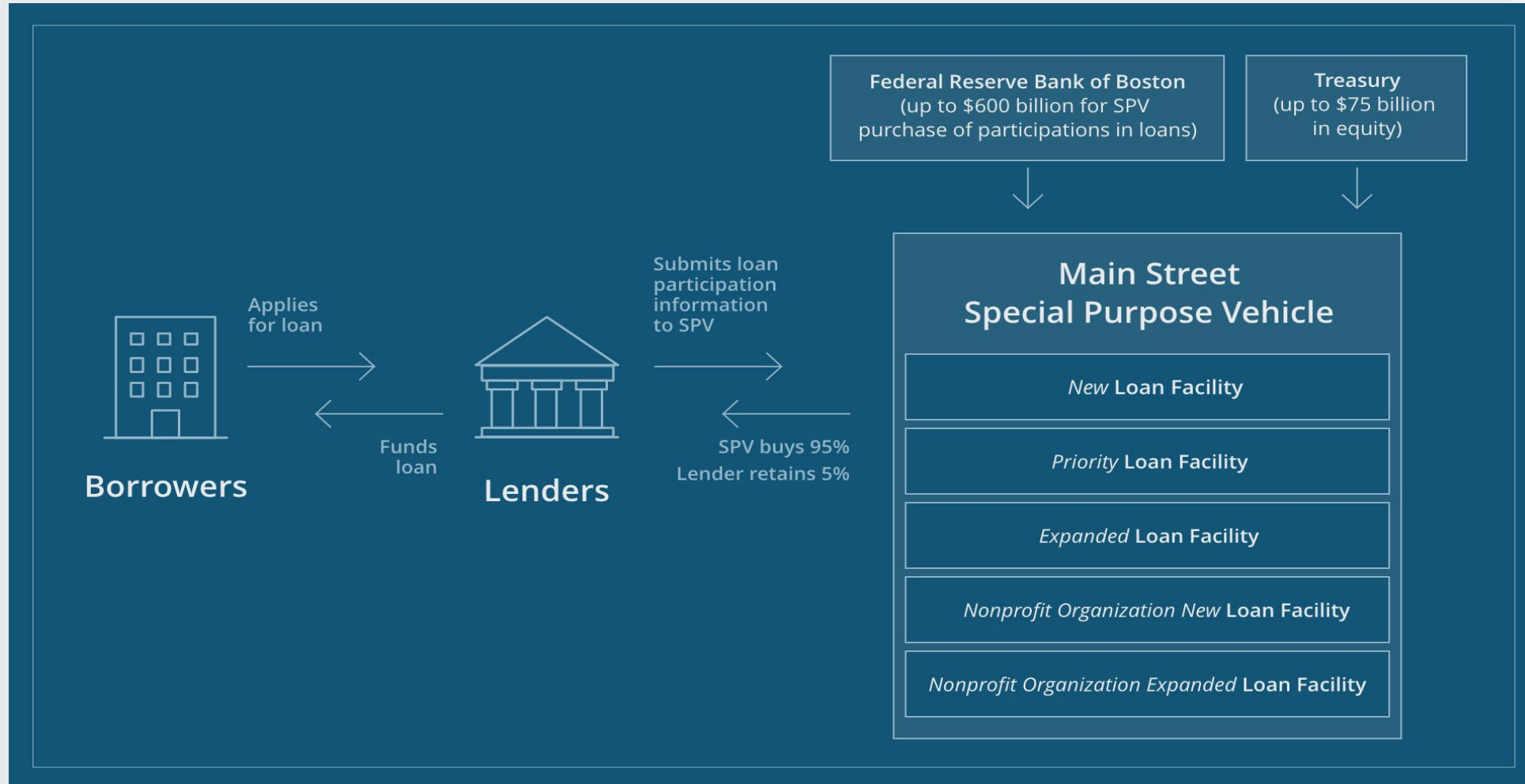
Agenda for Today's Session

- ▷ Overview of the Main Street Lending Program (Main Street or Program)
- ▷ Key Terms and Conditions
- ▷ Getting Started
- ▷ Questions and Answers
- ▷ Additional Resources

Main Street Overview

- ▷ On July 17, 2020, the Federal Reserve expanded the Program to support small- and medium-sized ***nonprofit organizations*** that:
 - ▷ Were in sound financial condition before the onset of the COVID-19 pandemic
 - ▷ 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>
Loan Term	5 years	
Interest Rate	Adjustable rate of LIBOR (1 or 3 month) + 300 basis points	
Principal Payments	Principal deferred for 2 years. Years 3–5: 15%, 15%, 70%	
Interest Payments	Interest deferred for 1 year	
Loan Size	\$250,000–\$35 million	\$10 million–\$300 million
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
Lender Participation Rate	Lender will retain 5% of the loan	Lender will retain 5% of the upsized tranche of the loan
Main Street SPV Participation Rate	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
Prepayment Allowed	Yes, without penalty	
Loan Fees	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 sections 501(c)(3) and (c)(19), respectively, of the Internal Revenue 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:** 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

- ▷ Nonprofit borrowers should review the borrower certifications and covenants in the [term sheets](#), which include certifications required by the CARES Act.
- ▷ Nonprofit 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

Getting Started

- ▷ Interested organizations should review the Program requirements and contact a lender to discuss applying for a Main Street loan that meets their needs.
- ▷ Borrowers must complete required Program documentation, which is in development, as well as the lender's loan documentation.
- ▷ Lenders will apply their own underwriting standards in evaluating the financial condition and creditworthiness of borrowers.
- ▷ Lenders determine whether a borrower is approved for a Main Street loan.
 - ▷ Lenders are encouraged to work with borrowers affected by COVID-19 and may originate or expand loans to such borrowers under the Program.

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.

Thank You for Submitting Questions

- ▷ When will the nonprofit Program be operational?
- ▷ What if I don't have an existing banking relationship? Can I still participate?
- ▷ How is non donation revenue defined (e.g., does it include/exclude grants)?
- ▷ Why are there so many eligibility criteria?

Additional Resources

- ▷ [Program term sheets and FAQs are located on the Main Street Lending Program website \(www.bostonfed.org/mslp\).](http://www.bostonfed.org/mslp)
- ▷ [Sign up](#) to receive email alerts for Program updates.
- ▷ Submit inquiries to MSLP@bos.frb.org.

Thanks for joining us.

