The Main Street Business Lending Program – Opening of Lender Registration and Proposed Expansion to Nonprofit Loans

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On June 15, 2020 the Federal Reserve announced that lender registration is officially open under the Main Street Business Lending Program (Main Street Program). Registration instructions and the form loan participation agreement, form borrower and lender certifications and covenants, and other required form agreements can be found on the Federal Reserve Bank of Boston's Main Street Lending Program Forms and Agreements website. The Federal Reserve has advised that it is currently working to create the infrastructure necessary to make the Main Street Program fully operational. Once the Main Street Program is operational, borrowers will be able to contact eligible lenders directly to seek Main Street Program loans.

Also on June 15, 2020, the Federal Reserve announced that it will be seeking public feedback on a proposal to expand its Main Street Program to provide access to credit for certain nonprofit organizations.

The Main Street Program was initially announced on April 9, 2020 and the release of the original set of "Frequently Asked Questions" (Original FAQs) was published on April 30, 2020. On May 27, 2020, the Federal Reserve released a significantly updated set of "Frequently Asked Questions" (Updated FAQs), offering additional insight into the details of the Main Street Program. On the same day, the Federal Reserve also released several forms, agreements and instructions for eligible lenders and eligible borrowers pertaining to the Main Street Program. On June 8, 2020, the Federal Reserve published a press release that expanded certain terms under the Main Street Program in an effort to make the Main Street Program more accessible to small and medium-sized businesses. In connection with the press release, the Federal Reserve also released an updated set of "Frequently Asked Questions" and an updated set of "term sheets" for each of the three lending facilities that comprise the Main Street Program: (i) Main Street New Loan Facility; (ii) Main Street Priority Loan Facility; and (iii) Main Street Expanded Loan Facility.

We invite our clients and friends to review our previously-published client alerts that outlined the basic terms of the Main Street Program, the Original FAQs, the Updated FAQs, a synopsis of the forms, agreements and instructions for eligible lenders and eligible borrowers, a summary of the expanded terms reflected in the June 8, 2020 press release, and a description of the expanded FAQs and term sheets.

The information provided below is intended to offer a brief synopsis of the proposed terms under the Main Street Program's nonprofit loans, focusing on those terms that we believe may be particularly beneficial to our lender and borrower clients.

The Federal Reserve is seeking public feedback pertaining to the Main Street Program nonprofit loans until Monday, June 22.

NONPROFIT PARTICIPATION IN THE MAIN STREET PROGRAM

Loan terms under the proposed Main Street Program nonprofit loans, including the interest rate, deferral of principal and interest payments, and five-year term, are the same as for Main Street Program for-profit loans. The minimum loan size is $250,000 while the maximum loan size is $300 million. Principal payments would be fully deferred for the first two years of the loan, and interest payments would be deferred for one year.

Two loan options would be offered under the proposal: one for nonprofit new loans and one for nonprofit expanded loans (increasing the limit of an existing term loan or revolving credit facility).

The notable terms that are exclusive to Main Street Program nonprofit loans include:

- established prior to, and in continuous operation since, January 1, 2015;
- minimum of 50 and maximum of 15,000 employees;
- financial thresholds based on operating performance, liquidity, and ability to repay debt, including:
  - a limit on endowments of no more than $3 billion;
  - 2019 revenues from donations of less than 30% of total 2019 revenues;
  - adjusted 2019 earnings before interest, depreciation, and amortization ("EBIDA") to unrestricted 2019 operating revenue greater than or equal to 5%;
  - ratio (expressed as a number of days) of (i) liquid assets at the time of loan origination to (ii) average daily expenses over the previous year, equal to or greater than 90 days;
  - at the time of loan origination, 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 CMS Accelerated and Advance Payments, that is greater than 65%; and
- each organization must be a tax-exempt organization under section 501(c)(3) or 501(c)(19) of the Internal Revenue Code.

We will continue to provide updates on such further guidance under the Main Street Program as it becomes available.

If you have questions or would like more information, please contact Jennifer Santangelo (santangeloj@whiteandwilliams.com; 215.864.7199), Ryan Udell (udellr@whiteandwilliams.com; 215.864.7152), Maulin Vidwans (vidwansm@whiteandwilliams.com; 215.864.6369), Adam Chelminiak (chelminiaka@whiteandwilliams.com; 215.864.7078) or Patrick Haggerty (haggertyp@whiteandwilliams.com; 215.864.6811).

As we continue to monitor COVID-19, White and Williams lawyers are working collaboratively to stay current on developments and counsel clients through the various legal and business issues that may arise across a variety of sectors. Read all of the updates here.

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