

## U.S. Municipal Bond Market

# Fed Expands Main Street Lending Program Eligibility to Include Nonprofits

### Expansion Supports Non Profit Entity Access to Credit

The U.S. Federal Reserve expanded its Main Street Lending Program to allow non-profit entities access to credit via its loan options. The non-profit organizations that would be able to access the program include educational institutions, hospitals, and social service organizations, according to the Fed.<sup>1</sup>

Preliminary calculations by Moody's Investor Service show approximately 68%, 77%, and 55% of their rated public universities, private universities and other nonprofits would be eligible for the expanded Main Street Lending Program.<sup>2</sup> The rating agency expects, "The program's eligibility criteria and terms relative to market lending will deter some nonprofit organizations from pursuing the loans."<sup>3</sup>

### Main Street Lending Program Nonprofit Loan Options

Factor	Nonprofit New Loans	Nonprofit Expanded Loans
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 (previously 50)</li> <li>• Total non-donation revenues equal to or greater than 60% of expenses for the period from 2017 through 2019 (previously 70% of revenues)</li> <li>• 2019 operating margin of 2% or more, (previously 5%)</li> <li>• Current days cash on hand 60 days (previously 90 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% (previously 65%)</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%	

Source: U.S. Federal Reserve and HilltopSecurities.

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<sup>1</sup> Please see: [Federal Reserve Board modifies Main Street Lending Program to provide greater access to credit for nonprofit organizations such as educational institutions, hospitals, and social service organizations: Federal Reserve: July 17, 2020.](#)

<sup>2</sup> Fed Adds liquidity source for nonprofits, but terms may limit use; Moody's Investor Service; July 22, 2020.

<sup>3</sup> Ibid.

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