Federal Reserve Board Proposes to Expand Main Street Lending Program to Nonprofit Organizations, Including Hospitals

Board seeks comments on proposal by June 22

The Federal Reserve Board yesterday announced it will seek public comments on a proposal to expand its Main Street Lending Program to provide access to credit for nonprofit organizations, including hospitals, a move advocated for by the AHA. The Main Street Lending Program offers loans to small and medium-sized businesses. The proposed expansion would offer loans to small and medium-sized nonprofits that were in sound financial condition before the COVID-19 pandemic and could benefit from additional liquidity to manage during the current pandemic.

Loan terms under the proposed Main Street nonprofit loans – including the interest rate, deferral of principal and interest payments, and five-year term – are the same as for Main Street business loans. The minimum loan size is $250,000, and 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. Borrower eligibility requirements for the proposed nonprofit facilities would be modified from the for-profit facilities to reflect the operational and accounting practices of the nonprofit sector and include:

- Minimum of 50 and maximum of 15,000 employees;
- Financial thresholds based on operating performance, liquidity and ability to repay debt;
- An operational history of at least five years; and
- A limit on endowments of no more than $3 billion.

Comments on the proposal are due June 22. The AHA will submit comments and share them with members.

AHA Take: The AHA has advocated for establishing the eligibility of nonprofit and public hospitals in the Main Street Lending Program since it was announced in April. In response to yesterday’s announcement, AHA President and CEO Rick Pollack said, “Hospitals and health systems of all sizes and types of ownership continue to be on the front lines in the battle against this virus. Making these loans also available quickly and on terms that take into account the circumstances of nonprofit hospitals will help eligible
hospitals continue to keep their doors open during this crisis and to provide care for their patients and communities into the future.”

Further Questions
If you have questions, please contact AHA at 800-424-4301.