

# Main Street for Nonprofit Organizations

## Part of the Main Street Lending Program

### Frequently Asked Questions

This document is intended to address frequently asked questions (**FAQs**) about the Main Street Lending Program (**Main Street** or **Program**) facilities for nonprofit organizations, including the Nonprofit Organization New Loan Facility (**NONLF**) and the Nonprofit Organization Expanded Loan Facility (**NOELF**). A separate document, available [here](#), is intended to address FAQs about Program facilities applicable to for-profit businesses. The Federal Reserve will periodically update these FAQs. Please check the [website](#) of the Federal Reserve Bank of Boston (**FRB Boston**) for new FAQs or revisions to previously issued FAQs.

**The Federal Reserve is currently working to create the infrastructure, including legal documents and certifications, necessary to fully operationalize the facilities for Nonprofit Organizations. This document will be periodically updated to address additional frequently asked questions as this infrastructure is created and after the facilities become operational. Information about the operational status of the facilities will be posted on the Board’s website, and program forms and agreements will be posted on the website of the Federal Reserve Bank of Boston when available.**

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## **A. Purpose and Design**

### **A.1. Why is the Federal Reserve expanding the Program to include nonprofit organizations?**

The spread of COVID-19 has harmed communities and substantially disrupted many sectors of the economy, including the nonprofit sector. In many cases, the disruptions have heightened the demand for nonprofit organization services and the need for such organizations to obtain financing. Nonprofit organizations are critical parts of the economy, employing millions of people, providing essential services to communities, and supporting innovation and the development of a highly skilled workforce.

The Main Street Lending Program Nonprofit Organization New Loan Facility (NONLF) and Nonprofit Organization Expanded Loan Facility (NOELF) are designed to provide support to small and medium-sized nonprofit organizations and their employees across the United States during the current period of financial strain by supporting the provision of credit to such organizations. The availability of additional credit is intended to help nonprofit organizations that were in sound financial condition prior to the onset of the COVID-19 pandemic maintain their operations and payroll until conditions normalize.

### **A.2. How is the Department of the Treasury supporting the Program?**

The Department of the Treasury (**Treasury Department**) will make a \$75 billion equity investment in a Special Purpose Vehicle (**Main Street SPV**) in connection with the Main Street Lending Program, which includes the nonprofit facilities. The funds invested by the Treasury Department were appropriated to the Exchange Stabilization Fund under section 4027 of the Coronavirus Aid, Relief, and Economic Security Act (**CARES Act**).

### **A.3. Are loans that are originated or upsized in connection with the Program forgivable?**

No. Main Street loans are full-recourse loans and are not forgivable. Under section 4003(d)(3) of the CARES Act, the principal amount of a Main Street loan cannot be reduced through loan forgiveness.

### **A.4. What are the differences between the NONLF and the NOELF?**

Main Street includes two facilities designed for nonprofit organizations, each of which was authorized by the Board of Governors of the Federal Reserve System (**Board**) under section 13(3) of the Federal Reserve Act. Both facilities use the same Eligible Lender and Eligible Borrower criteria, and have many of the same features, including the same maturity, interest rate, deferral of principal for two years, deferral of interest for one year, and ability of the borrower to prepay without penalty.

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Other features of the loans extended in connection with each facility differ, including with respect to the loan size and its relationship to existing debt.

- **NONLF:** Eligible Lenders extend new five-year term loans to Eligible Borrowers ranging in size from \$250,000 to \$35 million. The maximum size of a loan made in connection with the NONLF cannot exceed the Eligible Borrower's average 2019 quarterly revenue. The loans must not be, at the time of origination or at any time during the term of the Eligible Loan, contractually subordinated in terms of priority to any of the Eligible Borrower's other loans or debt instruments. The unique features of loans originated in connection with the NONLF (**NONLF Loans**) are provided in the [NONLF term sheet](#).
- **NOELF:** Eligible Lenders increase (or "upsize") an Eligible Borrower's existing term loan or revolving credit facility. The upsized tranche is a five-year term loan ranging in size from \$10 million to \$300 million. The maximum size of a loan made in connection with the NOELF cannot exceed the Eligible Borrower's average 2019 quarterly revenue. At the time of upsizing and at all times thereafter, the upsized tranche must be senior to or pari passu with, in terms of priority and security, the Eligible Borrower's other loans or debt instruments, other than mortgage debt. The features associated with tranches of loans that are upsized in connection with the NOELF (**NOELF Upsized Tranches**) are outlined in the [NOELF term sheet](#).

#### A.5. How long will the Program be in effect?

The Program was established to respond to uncertainty related to the COVID-19 pandemic and is authorized to purchase participations in NONLF Loans and NOELF Upsized Tranches until September 30, 2020. The Main Street SPV will cease purchasing loan participations on September 30, 2020, unless the Program is extended by the Board and the Treasury Department. The FRB Boston will continue to operate the SPV after such date until the Main Street SPV's assets mature or are sold.

#### A.6. Is there a limit to the size of the Program?

The Main Street SPV will purchase up to \$600 billion of participations in eligible loans across all Main Street Program facilities. The Federal Reserve and the Treasury Department have assessed this amount to be appropriate in light of the current financial strains facing Eligible Borrowers. The Federal Reserve and the Treasury Department will continue to assess the situation and needs of Eligible Borrowers and may adjust the Program's size in the future.

#### A.7. [Reserved.]

#### A.8. What provisions of the CARES Act apply to the Program?

Under section 4003(b)(4) of the CARES Act, the Secretary of the Treasury (**Secretary**) is authorized to make loans and loan guarantees to, and other investments in, programs or facilities established by the Board for the purpose of providing liquidity to the financial system



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that supports lending to eligible businesses (including, for these purposes, eligible nonprofits), states, or municipalities. The Secretary has committed \$75 billion of the funds appropriated under Title IV of the CARES Act in the Main Street SPV in support of the Program. The following restrictions of the CARES Act have been incorporated into the design of the Program:

- **Eligible Business Definition**: Section 4002(4) of the CARES Act prevents a business from participating in the Program if it has “otherwise received adequate economic relief in the form of loans or loan guarantees provided under [the Coronavirus Economic Stabilization Act of 2020 (Subtitle A of Title IV of the CARES Act)].” Consistent with this restriction, businesses that are receiving “specific support” pursuant to section 4003(b)(1)-(3) are not eligible for the Program.
- **Direct Loans**: Eligible Borrowers must commit to comply with the restrictions that apply to direct loan programs under section 4003(c)(3)(A)(ii) of the CARES Act.
- **U.S. Business Requirement**: Under section 4003(c)(3)(C) of the CARES Act, Eligible Borrowers must be “businesses that are created or organized in the United States or under the laws of the United States and that have significant operations in and a majority of its employees based in the United States.”
- **Loan Forgiveness Prohibition**: Under section 4003(d)(3), the principal amount of the portion of any NONLF Loan, or NOELF Upsized Tranche that is participated to the Main Street SPV cannot be reduced through loan forgiveness. See question [A.10](#) for more information about this requirement.
- **Conflicts of Interest**: Under section 4019 of the CARES Act, Eligible Lenders and Eligible Borrowers will be required to certify that no “Covered Individual” owns, controls, or holds 20% or more (by vote or value) of any class of equity ownership interest in the business. “Covered Individuals” include the President, the Vice President, the head of any Executive Department, any Member of Congress, and certain immediate family members of the foregoing.

#### **A.9. What are the conflicts of interest provisions of the CARES Act?**

Section 4019 of the CARES Act prohibits entities in which certain government officials ([list here](#)) and some of their immediate family members have a “controlling interest” from participating in certain government programs, including Main Street. Each participating entity, both Eligible Lenders and Eligible Borrowers, will be required to certify that the entity is not a “covered entity” as defined in section 4019 of the CARES Act.

#### **A.10. Can the principal amount of loans extended under Main Street be reduced?**

Main Street is not a grant program and is subject to the prohibition on loan forgiveness in section 4003(d)(3) of the CARES Act. In the event of restructurings or workouts, the Main

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Street SPV may agree to reductions in interest (including capitalized interest), extended amortization schedules and maturities, and higher priority “priming” loans.

## **B. NONLF Loans**

### **B.1. How does the NONLF work?**

Eligible Lenders may extend a new NONLF Loan to an Eligible Borrower and sell a 95% participation in that NONLF Loan to the Main Street SPV at par value. All such sales will be structured as “true sales” and must be completed expeditiously after the origination of the NONLF Loan. The Eligible Lender must retain 5% of the NONLF Loan until (i) it matures or (ii) neither the Main Street SPV nor a Governmental Assignee holds an interest in NONLF Loan in any capacity, whichever comes first. The Main Street SPV and the Eligible Lender would share in any losses on the NONLF Loan on a pari passu basis.

The Eligible Borrower must have been in sound financial condition prior to the onset of the COVID-19 pandemic. In order for an Eligible Borrower to receive a NONLF Loan, any existing loan it had outstanding with the Eligible Lender as of December 31, 2019, must have had an internal risk rating (based on the Eligible Lender’s risk rating system) that was equivalent to a “pass” in the Federal Financial Institutions Examination Council’s (FFIEC) supervisory rating system as of that date.

### **B.2. What are the terms of NONLF Loans?**

The NONLF term sheet is available on the Board’s [Main Street page](#). More information will be made available on that page regarding loan participation terms, credit administration, and loan servicing.

### **B.3. What is the effect of the requirement that NONLF Loans not be “contractually subordinated in terms of priority” to other loans or debt instruments?**

An NONLF Loan, at the time of origination or at any time during its term, may not be contractually subordinated in terms of priority to the Eligible Borrower’s other loans or debt instruments. This means that a NONLF Loan may not be junior in priority in bankruptcy to the Eligible Borrower’s other unsecured loans or debt instruments.<sup>1</sup> This provision does not prevent:

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<sup>1</sup> For the avoidance of doubt, prohibitions on contractual subordination with respect to Main Street loans do not prevent the incurrence of obligations that have mandatory priority under the Bankruptcy Code or other insolvency laws that apply to entities generally.

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- the issuance of a NONLF Loan that is a secured loan (including in a second lien or other capacity) to an Eligible Borrower, whether or not the Eligible Borrower has an outstanding secured loan of any lien position or maturity;
- the issuance of a NONLF Loan that is an unsecured loan to an Eligible Borrower, regardless of the term or secured or unsecured status of the Eligible Borrower's existing indebtedness; or
- the Eligible Borrower from taking on new secured or unsecured debt after receiving a NONLF Loan, provided the new debt would not have higher contractual priority in bankruptcy than the NONLF Loan.

#### **B.4. Can an Eligible Lender make a NONLF Loan to a new customer?**

Yes. Eligible Lenders should follow their normal policies and procedures for originating a loan to a new customer, including Know Your Customer procedures. In addition, when determining borrower eligibility, the Eligible Lender must require the Eligible Borrower to use an adjusted EBIDA methodology that is based on a methodology that the Eligible Lender has previously required to be used to adjust EBIDA when extending credit to similarly situated borrowers on or before June 15, 2020. The Eligible Lender should calculate operating revenue as unrestricted operating revenue, excluding funds committed to be spent on capital, and including a proxy for endowment income in place of unrestricted investment gains or losses. The methodology used by the Eligible Lender to calculate the proxy for endowment income must be the methodology it has used for similarly situated borrowers on or before June 15, 2020.

### **C. [Reserved]**

## **D. NOELF Upsized Tranches**

### **D.1. How does the NOELF work?**

Eligible Lenders that have extended an existing term loan or revolving credit facility to an Eligible Borrower may increase (or "upsized") that extension of credit, by adding a new increment (or "tranche"). Eligible Lenders may sell a 95% participation in the NOELF Upsized Tranche to the Main Street SPV at par value. All such sales will be structured as "true sales" and must be completed expeditiously after the upsizing. The Eligible Lender must retain 5% of the NOELF Upsized Tranche until (i) it matures or (ii) neither the Main Street SPV nor a Governmental Assignee holds an interest in the NOELF Upsized Tranche in any capacity, whichever comes first. The Eligible Lender must also retain its interest in the underlying loan until (i) that loan matures, (ii) the NOELF Upsized Tranche matures, or (iii) neither the Main Street SPV nor a Governmental Assignee holds an interest in the NOELF Upsized Tranche in any capacity, whichever comes first. The Main Street SPV and the Eligible Lender would share in

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any losses on the NOELF Upsized Tranche on a pari passu basis. Any collateral that secures the underlying loan must secure the upsized tranche on a pari passu basis.

To be eligible for “upsizing,” the existing term loan or revolving credit facility must have been originated on or before June 15, 2020, and must have a remaining maturity of at least 18 months. The Eligible Lender may extend the maturity of an existing loan or revolving credit facility at the time of upsizing in order for the underlying instrument to satisfy the 18-month remaining maturity requirement.

The Eligible Borrower must have been in sound financial condition prior to the onset of the COVID-19 pandemic. The existing loan or revolving credit facility must have had a risk rating, based on the Eligible Lender’s internal rating system, equivalent to a “pass” in the FFIEC’s supervisory rating system as of December 31, 2019.

#### **D.2. What are the terms of NOELF Upsized Tranches?**

The NOELF term sheet is available on the Board’s [Main Street page](#). More information will be made available on that page regarding loan participation terms, credit administration, and loan servicing.

#### **D.3. Under the NOELF, can an Eligible Lender sell a participation in an upsized tranche of a loan that was originated as part of a multi-lender facility?**

If the loan underlying an NOELF Upsized Tranche is part of a multi-lender facility, the Eligible Lender must be one of the lenders that holds an interest in the underlying loan at the date of upsizing. Only the Eligible Lender for the NOELF Upsized Tranche is required to meet the Eligible Lender criteria. Other members of the multi-lender facility are not required to be Eligible Lenders.

More than one lender under an existing multi-lender facility may choose to “upsized” the existing facility to originate an NOELF Upsized Tranche. Such NOELF Upsized Tranches should be separately submitted to the SPV for the sale of a participation interest. However, the Eligible Borrower’s aggregate borrowing is constrained by the NOELF maximum loan size test and, therefore, the Eligible Borrower’s aggregate borrowing cannot exceed \$300 million or its average 2019 quarterly revenue.

#### **D.4. Does the Eligible Lender for the NOELF Upsized Tranche need to be the same Eligible Lender that originated the underlying loan?**

No. The Eligible Lender is not required to have been the Eligible Lender that originally extended the loan underlying an NOELF Upsized Tranche. If the Eligible Lender purchased the interest in the underlying loan as of December 31, 2019, the Eligible Lender must have assigned an internal risk rating to the underlying loan equivalent to a “pass” in the FFIEC’s supervisory rating system as of that date. If the Eligible Lender purchased the interest after December 31, 2019,

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the Eligible Lender should use the internal risk rating given to that loan at the time of purchase to determine whether the loan is eligible for upsizing under the NOELF.

**D.5. If an existing multi-lender facility loan does not have an “opening” or “accordion” clause, can it still be eligible for upsizing under the NOELF?**

Yes. The Eligible Borrower, Eligible Lender(s), and any other required parties must amend the underlying credit agreements as needed to comply with the requirements set out in the [NOELF term sheet](#).

**D.6. What requirements exist for the loan underlying an NOELF Upsized Tranche?**

The loan underlying an NOELF Upsized Tranche can be a secured or unsecured term loan or revolving credit facility that:

- was made by an Eligible Lender(s) to an Eligible Borrower;
- is currently held, at least in part, by an Eligible Lender;
- was originated on or before June 15, 2020;
- has a remaining maturity of at least 18 months (taking into account any adjustments made to the maturity of the loan after June 15, 2020, including at the time of upsizing); and
- received an internal risk rating equivalent to a “pass” in the FFIEC’s supervisory rating system by the Eligible Lender, as of December 31, 2019, or otherwise satisfies the criteria set out in question [D.10](#).

Any collateral securing the Eligible Loan (at the time of upsizing or on any subsequent date) must secure the NOELF Upsized Tranche on a pari passu basis.

**D.7. Why is the minimum loan size for an NOELF Upsized Tranche \$10 million, rather than \$250,000 in the NONLF?**

The NOELF was designed to meet the needs of borrowers with existing loan arrangements, particularly those with larger and more complex existing loans, where pre-existing loan documentation can be used. As a result, the minimum loan size for an NOELF Upsized Tranche is \$10 million.

The Federal Reserve will continue to evaluate whether the loan amounts allowed under the Program should be adjusted to enhance the Program’s efficacy. Any such adjustments would be communicated well in advance of their effective date to ensure that Eligible Lenders and Eligible Borrowers are not adversely affected.

**D.8. Can the Eligible Lender that sells a participation to the Main Street SPV share its 5% retention of the NOELF Upsized Tranche with other members of a multi-lender facility?**

No. The Eligible Lender must retain 5% of the NOELF Upsized Tranche, even when the underlying loan is part of a multi-lender facility. The Eligible Lender must retain 5% of the NOELF Upsized Tranche until (A) the NOELF Upsized Tranche matures or (B) neither the Main Street SPV nor a Governmental Assignee holds an interest in the loan in any capacity, whichever occurs first.

**D.9. What if no EBIDA methodology or proxy for endowment income methodology was used when originating or amending the loan underlying an NOELF Upsized Tranche?**

If the Eligible Borrower's EBIDA or proxy for endowment income were not calculated or included in the loan documentation or internal risk analysis when originating the loan or revolving credit facility that would underlie an NOELF Upsized Tranche, the Eligible Lender must require the Eligible Borrower to calculate its adjusted EBIDA or a proxy for endowment income using a methodology that the Eligible Lender has required to be used in other contexts for the Eligible Borrower or, if there is no such calculation, for similarly situated borrowers. See questions [G.13](#) and [G.14](#) for more information.

**D.10. How can the "pass" criterion be satisfied if the loan underlying an upsized tranche was originated or purchased by an Eligible Lender after December 31, 2019?**

If an existing loan was originated or purchased by an Eligible Lender after December 31, 2019, the Eligible Lender should use the internal risk rating given to that loan at origination or purchase (as applicable) to determine whether the loan satisfies the "pass" criterion for upsizing under the NOELF.

**D.11. What does it mean for an NOELF Upsized Tranche to be "senior to or pari passu with, in terms of priority and security, the Eligible Borrower's other loans or debt instruments, other than mortgage debt"?**

NOELF Upsized Tranches must be senior to or pari passu with, in terms of priority and security, the Eligible Borrower's other Loans or Debt Instruments, other than Mortgage Debt (the **NOELF Priority and Security Requirement**). The NOELF Priority and Security Requirement is designed to prevent NOELF Upsized Tranches from being subordinated or otherwise disadvantaged in terms of priority or security in relation to the other Loans or Debt Instruments of the Eligible Borrower, except for Mortgage Debt.

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For purposes of the NOELF Priority and Security Requirement:

- “**Loans or Debt Instruments**” means debt for borrowed money and all obligations evidenced by bonds, debentures, notes, loan agreements or other similar instruments, and all guarantees of the foregoing.
- “**Mortgage Debt**” means (i) debt secured only by real property at the time of the NOELF Upsized Tranche’s origination; and (ii) limited recourse equipment financings (including equipment capital or finance leasing and purchase money equipment loans) secured only by the acquired equipment.

**Time of Origination:** To comply with the NOELF Priority and Security Requirement at the time of origination, Eligible Lenders and Eligible Borrowers must apply the following guidance:

- **Secured Loans:** The NOELF Upsized Tranche must be secured if, at the time of origination, the Eligible Borrower has any other secured Loans or Debt Instruments, other than Mortgage Debt. The NOELF Upsized Tranche must be secured by the collateral (including, if applicable, any Mortgage Debt) securing any other tranche of the underlying credit facility on a pari passu basis. Eligible Lenders and Eligible Borrowers may add new collateral to secure the loan (including the NOELF Upsized Tranche on a pari passu basis) at the time of upsizing. If the underlying credit facility includes both term loan tranche(s) and revolver tranche(s), the NOELF Upsized Tranche needs to share collateral on a pari passu basis with the term loan tranche(s) only. Secured NOELF Upsized Tranches must not be contractually subordinated in terms of priority to any of the Eligible Borrower’s other Loans or Debt Instruments.
- **Unsecured Loans:** The NOELF Upsized Tranche can be unsecured only if the Eligible Borrower does not have, as of the date of origination, any secured Loans or Debt Instruments (other than Mortgage Debt that does not secure any other tranche of the underlying credit facility). Unsecured NOELF Upsized Tranches must not be contractually subordinated in terms of priority to the Eligible Borrower’s other unsecured Loans or Debt Instruments. See question [B.3](#) for more information on contractual subordination.

**Life of the Loan:** In order to comply with the NOELF Priority and Security Requirement during the term of the NOELF Upsized Tranche after the date of origination, the loan documentation for the NOELF Upsized Tranche must:

- ensure that the NOELF Upsized Tranche does not become contractually subordinated in terms of priority to any of the Eligible Borrower’s other Loans or Debt Instruments;
- ensure that the NOELF Upsized Tranche remains secured on a pari passu basis by the collateral securing the underlying credit facility, as described in the “time of origination” section above; and

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- contain a lien covenant or negative pledge that is of the type – and contains exceptions, limitations, carve-outs, baskets, materiality thresholds, and qualifiers – that are consistent with those used by the Eligible Lender in its ordinary course lending to similarly situated borrowers.

See question [G.14](#) for more information on identifying similarly situated borrowers.

## **E. Borrower Eligibility**

### **E.1. Which entities are eligible to borrow under the Program?**

To be eligible to borrow under the Program, a nonprofit organization must satisfy certain eligibility criteria, as set out in the [NONLF](#) and [NOELF](#) term sheets and described further below. The Eligible Borrower criteria are the same across both facilities.

- (1) **The Nonprofit Organization must have been in continuous operation since January 1, 2015.** A nonprofit organization has been in “continuous operation” if that organization, or a predecessor organization, was established on or before January 1, 2015, and has been engaged in the activities justifying its tax-exempt status since that date. In addition, the Nonprofit Organization must have been formed under the laws of the United States, one of the several states, the District of Columbia, any of the territories and possessions of the United States, or an Indian Tribal government.
- (2) **The Nonprofit Organization must not be an Ineligible Business.** Ineligible Businesses include Businesses listed in [13 CFR 120.110\(b\)-\(j\), \(m\)-\(s\)](#), as modified and clarified by SBA regulations for purposes of the PPP on or before April 24, 2020. Such modifications and clarifications include the SBA’s recent interim final rules available at [85 Fed. Reg. 20811](#), [85 Fed. Reg. 21747](#), and [85 Fed. Reg. 23450 \(released by the SBA on April 24, 2020\)](#). In addition, the Federal Reserve has incorporated the SBA’s Interim Final Rules published in the Federal Register on June 18, 2020 ([85 Fed. Reg. 36717](#)) and June 26, 2020 ([85 Fed. Reg. 38301](#)), which amended the SBA’s earlier Interim Final Rule published in the Federal Register on April 15, 2020 ([85 Fed. Reg. 20811](#)). The Federal Reserve may further modify the application of these restrictions to Main Street.
- (3) **The Nonprofit Organization must meet at least one of the following two conditions: (a) the Nonprofit Organization has 15,000 employees or fewer, or (b) the Nonprofit Organization has 2019 annual revenues of \$5 billion or less.** To determine how many employees a Nonprofit Organization has or a Nonprofit Organization’s 2019 revenues, the employees and revenues of the Nonprofit Organization must be aggregated with the employees and revenues of its affiliated entities.
- (4) **The Nonprofit Organization must have at least 10 employees.** Nonprofit Organizations must have at least 10 employees at the time of origination of the



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NONLF Loan or NOELF Upsized Tranche. The requirement that the Nonprofit Organization has at least 10 employees applies to the Nonprofit Organization with its affiliated entities. See [E.3](#) for definition of employee.

- (5) **The Nonprofit Organization must have an endowment of less than \$3 billion.** The size of the endowment should be calculated as of the date of origination of the NONLF Loan or NOELF Upsized Tranche.
- (6) **The Nonprofit Organization must have total non-donation revenues equal to or greater than 60% of expenses for the period from 2017 through 2019.** Non-donation revenues equal gross revenues minus donations. Donations include proceeds from fundraising events, federated campaigns, gifts, donor-advised funds, and funds from similar sources, but exclude (i) government grants, (ii) revenues from a supporting organization, (iii) grants from private foundations that are disbursed over the course of more than one calendar year, and (iv) any contributions of property other than money, stocks, bonds, and other securities (noncash contributions), provided that such noncash contribution is not sold by the organization in a transaction unrelated to the organization's tax-exempt purpose. Expenses equal total expenses minus depreciation, depletion, and amortization. See question E.16 for more detail on this calculation.
- (7) **The Nonprofit Organization must have a ratio of adjusted 2019 earnings before interest, depreciation and amortization (EBIDA) to unrestricted 2019 operating revenue, greater than or equal to 2%.** The methodology used by the Eligible Lender to calculate adjusted 2019 EBIDA must be the methodology it has previously used for adjusting EBIDA when extending credit to the Eligible Borrower or similarly situated borrowers on or before June 15, 2020 (with respect to the NONLF), or when originating or amending the underlying loan on or before June 15, 2020 (with respect to the NOELF). The Eligible Lender should calculate "operating revenue" as unrestricted operating revenue, excluding funds committed to be spent on capital, and including a proxy for endowment income in place of unrestricted investment gains or losses. The methodology used by the Eligible Lender to calculate the proxy for endowment income must be the methodology it has used for the Eligible Borrower or similarly situated borrowers on or before June 15, 2020.
- (8) **The Nonprofit Organization must have a ratio (expressed as a number of days) of (i) liquid assets at the time of origination of the loan or Upsized Tranche to (ii) average daily expenses over the previous year, equal to or greater than 60 days.** "Liquid assets" is defined as unrestricted cash and investments that can be accessed and monetized within 30 days. An organization may include in "liquid assets" the amount of cash receipts it reasonably estimates to receive within 60 days related to the provision of services, facilities, or products, or any other program service that exceed its reasonably estimated cash outflows payable within the same 60-day period.

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- (9) The Nonprofit Organization at the time of origination of the loan or Upsized Tranche must have 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 55%.
- (10) The Nonprofit Organization must be organized under the laws of the United States. Under section 4003(c)(3)(C) of the CARES Act, Eligible Borrowers must be Businesses that were created or organized in the United States or under the laws of the United States with significant operations in and a majority of their employees based in the United States.
- (11) The Nonprofit Organization may only participate in one of the Main Street facilities (NONLF, NOELF, MSNLF, MSPLF, MSELF) and must not also participate in the PMCCF or the Municipal Liquidity Facility (MLF).
- (12) The Nonprofit Organization must not have received specific support pursuant to the Coronavirus Economic Stabilization Act of 2020 (Subtitle A of Title IV of the CARES Act). A Nonprofit Organization is not eligible if it has received support pursuant to section 4003(b)(1)-(3) of the CARES Act.
- (13) The Nonprofit Organization must be able to make all of the certifications and covenants required under the Program.

Borrowers that satisfy all criteria above may apply to an Eligible Lender for a Main Street loan. The Eligible Lender is expected to conduct an assessment of each potential borrower's financial condition to determine whether the loan is approved.

For the avoidance of doubt, a Nonprofit Organization that has received PPP loans, or that has affiliates that have received PPP loans, is permitted to borrow under Main Street, provided that the Nonprofit Organization is an Eligible Borrower. Borrowers that are not eligible for a Main Street loan should consult the [Treasury Department](#) and [SBA](#) to determine if they are eligible for other relief programs.

## E.2. How is "Nonprofit Organization" defined?

A Nonprofit Organization is a tax-exempt nonprofit organization described in section 501(c)(3) of the Internal Revenue Code ("IRC") or a tax-exempt veterans' organization described in section 501(c)(19) of the IRC.

- **Section 501(c)(3)**: Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or

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individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

- **Section 501(c)(19)**: A post or organization of past or present members of the Armed Forces of the United States, or an auxiliary unit or society of, or a trust or foundation for, any such post or organization—
  - A. organized in the United States or any of its possessions,
  - B. at least 75 percent of the members of which are past or present members of the Armed Forces of the United States and substantially all of the other members of which are individuals who are cadets or are spouses, widows, widowers, ancestors, or lineal descendants of past or present members of the Armed Forces of the United States or of cadets, and
  - C. no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Other forms of organization may be considered for inclusion as an Eligible Borrower under the Program at the discretion of the Federal Reserve.

### **E.3. How should a Nonprofit Organization count employees for purposes of determining eligibility under the Program?**

To be an Eligible Borrower, a Nonprofit Organization must meet at least one of the following two conditions: (a) the Nonprofit Organization has 15,000 employees or fewer, or (b) the Nonprofit Organization has 2019 annual revenues of \$5 billion or less. In addition, a Nonprofit Organization must have at least 10 employees. To determine how many employees a Nonprofit Organization has, it should follow the framework set out in the SBA's regulation at [13 CFR 121.106](#). As set out in 13 CFR 121.106, the Nonprofit Organizations should count as employees all full-time, part-time, seasonal, or otherwise employed persons, excluding volunteers and independent contractors. A Nonprofit Organization that is an institution of higher education must exclude student workers participating in a Federal Work Study Program, on the same basis as, and subject to the same conditions and requirements of, the SBA's regulations at 85 Fed. Reg. 27287-90 (May 8, 2020). Nonprofit Organizations should count their own employees and those employed by their affiliates. In order to determine the applicable number of employees, Nonprofit Organizations should use the average of the total number of persons employed by the Eligible Borrower and its affiliates for each pay period over the 12 months prior to the origination or upsizing of the Main Street loan.

#### **E.4. How should a Nonprofit Organization calculate 2019 revenues for purposes of determining eligibility under the Program?**

To be an Eligible Borrower, a Nonprofit Organization must meet at least one of the following two conditions: (a) the Nonprofit Organization has 15,000 employees or fewer, or (b) the Nonprofit Organization has 2019 annual revenues of \$5 billion or less. To determine its 2019 annual revenues, Nonprofit Organizations must aggregate their revenues with those of their affiliates. Nonprofit Organizations may use either of the following methods to calculate 2019 annual revenues for purposes of determining eligibility:

- (1) A Nonprofit Organization may use its (and its affiliates') annual "revenue" per its 2019 U.S. Generally Accepted Accounting Principles-based (**U.S. GAAP**) audited financial statements; or
- (2) A Nonprofit Organization may use its (and its affiliates') annual receipts for the fiscal year 2019, as reported to the Internal Revenue Service. For purposes of the Program, the term "receipts" has the same meaning used by the SBA in [13 CFR 121.104\(a\)](#).
- (3) If a potential borrower (or its affiliate) does not yet have audited financial statements or annual receipts for 2019, the borrower (or its affiliate) should use its most recent audited financial statements or annual receipts.

#### **E.5. Which entities are a Nonprofit Organization's affiliates for purposes of the employee and revenue eligibility criteria?**

To determine eligibility, a Nonprofit Organization's employees and 2019 revenues are calculated by aggregating the employees and 2019 revenues of the Nonprofit Organization itself with those of the Nonprofit Organization's affiliated entities in accordance with the affiliation test set forth in 13 CFR 121.301(f) ([1/1/2019 ed.](#)).

**E.6. [Reserved.]**

**E.7. [Reserved.]**

#### **E.8. What does "significant operations in the United States" mean?**

To determine if an Eligible Borrower has "significant operations" in the United States, the Nonprofit Organization's operations should be evaluated on a consolidated basis together with its subsidiaries, but not its parent companies or sister affiliates. For example, an Eligible Borrower has significant operations in the United States if, when consolidated with its subsidiaries, greater than 50% of the Eligible Borrower's:

- assets are located in the United States;
- annual net income is generated in the United States;

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- annual net operating revenues are generated in the United States; or
- annual consolidated operating expenses (excluding interest expense and any other expenses associated with debt service) are generated in the United States.

This is a non-exhaustive list of examples that reflects the principles that should be applied by a potential borrower when evaluating its eligibility under this criterion.

E.9. [Reserved.]

E.10. [Reserved.]

E.11. [Reserved.]

E.12. [Reserved.]

E.13. Are Eligible Lenders required to adopt any special compliance procedures to verify that a Borrower is not an “Ineligible Business” under 13 CFR 120.110(o)?

No. The terms of the Program do not impose any verification or other obligations on an Eligible Lender specifically in relation to [13 CFR 120.110\(o\)](#). As a general matter, Eligible Lenders that are subject to regulations designed to prevent improper insider lending (e.g., the Board’s Regulation O ([12 CFR part 215](#))) should maintain compliance with those pre-existing rules and regulations without exception or modification for Main Street.

Under the standard of reasonable, good-faith diligence specified in the Borrower Certifications and Covenants, each prospective Main Street borrower is expected to review the list of Ineligible Businesses in [13 CFR 120.110\(b\)-\(j\), \(m\)-\(s\)](#), and make a reasonable, good-faith effort to determine if its activities or ownership would cause it to be classified within one of the listed ineligible categories, including [13 CFR 120.110\(o\)](#).

E.14. [Reserved.]

E.15. How are “total expenses” and “average 2019 daily expenses” calculated for purposes of determining Nonprofit Organization eligibility?

Total expenses are equal to total expenses as defined in IRS Form 990 Part IX Line 25 minus depreciation, depletion and amortization as defined in IRS Form 990 Part IX Line 22. For purposes of the ratio of liquid assets to average daily expenses, a Nonprofit Organization should calculate average daily expenses as its total expenses for 2019, as described above, divided by 365.

**E.16. How is “non-donation revenues” calculated for purposes of determining whether a Nonprofit Organization has total non-donation revenues equal to or greater than 60% of expenses for the period from 2017 through 2019?**

Nonprofit organizations may refer to the Instructions to IRS Form 990 for purposes of calculating whether they meet the eligibility criteria for non-donation revenues. For purposes of these eligibility criteria, “non-donation revenues” is defined as all of the revenue items described on Part VIII of the IRS Form 990 except revenue from: (i) fundraising events; (ii) federated campaigns; (iii) membership dues; (iv) any contributions from donor advised funds described in line 1d of Part VIII; and (v) all other contributions, gifts, grants, and similar amounts in line 1f of Part VIII except for (A) grants from private foundations that are disbursed over the course of more than one calendar year and (B) specified property. “Specified property” for this purpose is any property contributed to the Nonprofit Organization other than money, stocks, bonds, and other securities, provided that such specified property is not sold by the Nonprofit Organization in a transaction unrelated to its tax-exempt purpose.

The following examples illustrate how different kinds of revenues would be treated for purposes of the non-donation revenues calculation:

- Donations of noncash contributions as described in IRS Form 990:
  - A Nonprofit Organization receives clothing donations from members of the public that it sells in stores it operates and that primarily form the basis of the Nonprofit Organization’s exemption from tax. The sale of these items would generate either program service revenues or gross sales of inventory revenues—both separately reported revenue sources on IRS Form 990—for the Nonprofit Organization. The fair market value of the property in this case would be included in non-donation revenues.
- Private grants:
  - A Nonprofit Organization receives a grant from a private foundation that provides for a recurring distribution of funds from 2018 through 2021, to allow the Nonprofit Organization to conduct activities in connection with its charitable purpose. Because this grant is a multi-year grant from the private foundation, it would be included in non-donation revenues.
  - A Nonprofit Organization receives a one-time grant from a private foundation. While the private foundation may provide grants to the Nonprofit Organization in the future, the grant itself pertains only to a single cash gift that is contributed in full to the Nonprofit Organization. Because this grant is not a multi-year grant from the private foundation, it would be excluded from non-donation revenues.
- Membership Dues:

- A Nonprofit Organization charges membership dues. These membership dues consist of both (1) an amount equal to the fair market value of goods and services provided (for example, access to an athletic facility operated by the Nonprofit Organization), and (2) a charitable contribution, specifically, the amount of the membership dues that exceed the fair market value of the goods and services provided in connection with the membership fee. On IRS Form 990, the amount paid for goods and services would be reported as Program Service Revenues, while the excess amount would be reported as a membership fee. The amount reported as Program Service Revenues would be included in non-donation revenues, while the excess amount—the charitable contribution—would be excluded from non-donation revenues.

### **E.17. Can a public hospital or a public college or university that is not recognized as tax-exempt under section 501(c)(3) of the IRC qualify as a Nonprofit Organization?**

Public hospitals and public colleges and universities may not be recognized as tax-exempt organizations under section 501(c)(3) of the IRC, but may qualify as tax-exempt under another provision of the IRC. These organizations may qualify as an organization described in section 501(c)(3) of the IRC, and thus be considered “Nonprofit Organizations,” for purposes of the NONLF and NOELF. To establish eligibility as a Nonprofit Organization, a public hospital or public college or university must reasonably determine, in a written record maintained by the organization, that it is an organization described in section 501(c)(3) of the IRC.<sup>2</sup>

This guidance is solely for purposes of qualification as a “Nonprofit Organization” under the Program and related purposes of the Program, and does not have any consequences for federal tax law purposes.

### **E.18. Is a hospital owned by governmental entities considered an Ineligible Business?**

Under 13 CFR 120.110(j), “Government-owned entities (except for businesses owned or controlled by a Native American tribe)” are considered Ineligible Businesses. However, a hospital that is otherwise an Eligible Borrower is not rendered ineligible due to ownership by a state or local government if the hospital receives less than 50% of its funding from state or local government sources, exclusive of Medicaid. This exception to the general ineligibility of

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<sup>2</sup> This determination need not account for the ancillary conditions set forth in section 501(r) of the Internal Revenue Code and elsewhere associated with securing the tax exemption under that section. Section 501(r) states that a hospital organization shall not be treated as described in section 501(c)(3) unless it meets certain community health and other requirements. However, Nonprofit Organization is defined solely by reference to section 501(c)(3), and section 501(r) does not amend section 501(c)(3). Therefore, for purposes of the NONLF and NOELF, the requirements of section 501(r) do not apply to the determination of whether an organization is “described in section 501(c)(3).”

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government-owned entities is consistent with the approach adopted by the SBA for determining PPP eligibility of hospitals.

**E.19. How should a Nonprofit Organization calculate its non-donations revenues and expenses for the period from 2017 through 2019 if it does not have audited financial statements or annual receipts for fiscal year 2019 reported to the IRS?**

To be eligible under the NONLF and NOELF, a Nonprofit Organization must have total non-donation revenues equal to or greater than 60% of expenses from the period from 2017-2019. If a Nonprofit Organization does not have audited financial statements or tax returns that include information on non-donations revenues and expenses for fiscal year 2019, it may calculate its compliance with the non-donation revenues test using information available for 2017 and 2018.

**F. Application Process**

**F.1. How can I apply for a Program loan?**

To obtain a loan under the Program, an Eligible Borrower must submit an application and any other documentation required by an Eligible Lender to such Eligible Lender. Eligible Borrowers should contact an Eligible Lender for more information on whether the Eligible Lender plans to participate in the Program and to request more information on the application process.

Updates regarding the Program, including the official launch date and the time and date at which the Main Street SPV will begin purchasing participations in NONLF Loans and NOELF Upsized Tranches, will be made available on the Board's [Main Street page](#).

**F.2. Is a Nonprofit Organization eligible to borrow if it receives a PPP loan or Economic Injury Disaster loan (EIDL)?**

A Nonprofit Organization that receives a loan through the SBA's PPP or EIDL program can be an Eligible Borrower under Main Street if it meets the Eligible Borrower criteria.

**F.3. Do Eligible Borrowers qualify automatically for a loan under the Program?**

No. The term sheet contains minimum requirements for the Program. Eligible Lenders are expected to conduct an assessment of each potential borrower's financial condition at the time of the potential borrower's application. Eligible Lenders will apply their own underwriting standards in evaluating the financial condition and creditworthiness of a potential borrower. An Eligible Lender may require additional information and documentation in making this evaluation and will ultimately determine whether an Eligible Borrower is approved for a Program loan in light of these considerations. Nonprofit Organizations that otherwise meet the



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Eligible Borrower requirements may not be approved for a loan or may not receive the maximum allowable amount.

## **G. Terms and Conditions**

### **G.1. How will adjusted 2019 EBIDA be calculated?**

See response to [E.1](#) above.

### **G.2. How will “existing outstanding and undrawn available debt” be calculated?**

“Existing outstanding and undrawn available debt” includes all amounts borrowed under any loan facility, including unsecured or secured loans from any bank, non-bank financial institution, or private lender, as well as any publicly issued bonds or private placement facilities. It also includes all unused commitments under any loan facility, excluding (1) any undrawn commitment that serves as a backup line for commercial paper issuance, (2) any undrawn commitment that is used to finance receivables (including seasonal financing of inventory), (3) any undrawn commitment that cannot be drawn without additional collateral, and (4) any undrawn commitment that is no longer available due to change in circumstance. Existing outstanding and undrawn available debt should be calculated as of the date of the loan application.

### **G.3. Why are Program loans based on LIBOR rather than SOFR?**

The Federal Reserve received feedback from potential participants that quickly implementing new systems to issue loans based on SOFR would require diverting resources from challenges related to the pandemic. Although financial institutions are transitioning to more robust reference rates, LIBOR remains the most common base rate used in business lending, even though firms cannot rely on LIBOR being published after the end of 2021. Consistent with the recommendations of the Alternative Reference Rates Committee, Eligible Lenders and Eligible Borrowers should include fallback contract language to be used should LIBOR become unavailable during the term of the loan.

### **G.4. When do I need to start paying interest and principal on my loan?**

No payments of principal will be required for the first two years of an NONLF Loan or NOELF Upsized Tranche, and no payments of interest will be required during the first year of an NONLF Loan or NOELF Upsized Tranche. Unpaid interest will be capitalized in accordance with the Eligible Lender’s customary practices for capitalizing interest (e.g., at quarter-end or year-end). After the first year interest will be payable in accordance with the loan agreement for the NONLF Loan or NOELF Upsized Tranche.

### **G.5. How will principal be amortized after the second year?**

No principal is paid in the first or second year. The loan will be amortized over the remaining term of the loan, with 15% of principal due at the end of year 3, 15% of principal due at the end of year 4, and a balloon payment of 70% of principal due at maturity at the end of year 5.

For purposes of this question, principal includes capitalized interest. Eligible Lenders will provide Eligible Borrowers with payment information during the Program loan origination process.

### **G.6. Is collateral required for Main Street loans?**

NONLF Loans and NOELF Upsized Tranches may be secured or unsecured.

An NOELF Upsized Tranche must be secured if the underlying loan is secured. In such case, any collateral securing the underlying loan (at the time of upsizing or on any subsequent date) must secure the NOELF Upsized Tranche on a pari passu basis. Under such an arrangement, if the borrower defaults, the SPV and lender(s) would share equally in any collateral available to support the loan relative to their proportional interests in the loan (including the NOELF Upsized Tranche). Eligible Lenders can require Eligible Borrowers to pledge additional collateral to secure an NOELF Upsized Tranche as a condition of approval.

### **G.7. Are there fees associated with Main Street loans?**

Yes, there are fees associated with the NONLF and NOELF.

- **NONLF:** Eligible Lenders will pay the Main Street SPV a transaction fee of 100 basis points of the principal amount of the NONLF at the time of origination, and may pass on this fee to Eligible Borrowers.<sup>3</sup> In addition, the Eligible Borrower will pay the Eligible Lender a fee of up to 100 basis points of the principal amount of the NONLF Loan at the time of origination. Eligible Lenders have discretion over whether and when to charge Eligible Borrowers this fee.
- **NOELF:** Eligible Lenders will pay the Main Street SPV a transaction fee of 75 basis points of the principal amount of the NOELF Upsized Tranche at the time of upsizing, and may choose to pass on any portion of this fee to Eligible Borrowers. In addition, the Eligible Borrower will pay an Eligible Lender a fee of up to 75 basis points of the principal

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<sup>3</sup> The transaction fee will be based on the principal amount of the NONLF Loan or NOELF Upsized Tranche at the time a loan participation is submitted for sale to the Main Street SPV. Where deferred interest has been capitalized and added to the principal amount and purchase amount, the transaction fee will be based on the principal amount including such capitalized interest. As indicated in question [G.4](#), unpaid interest should be capitalized in accordance with the Eligible Lender's customary practices for capitalizing interest (e.g., at quarter-end or year-end). The Federal Reserve does not expect that interest would be capitalized more frequently than monthly, and thus only expects capitalized interest to affect this calculation where loans were extended at least one month prior to the date upon which the Main Street portal begins accepting submissions of NONLF and NOELF loans for sale of participation interests.

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amount of the NOELF Upsized Tranche at the time of upsizing. Eligible Lenders have discretion over whether and when to charge Eligible Borrowers this fee.

The SPV will pay an Eligible Lender 25 basis points of the principal amount of its participation per annum for loan servicing.

#### **G.8. What constitutes “reasonable efforts” to maintain payroll and retain employees?**

Eligible Borrowers should make reasonable efforts to retain employees during the term of the NONLF Loan or NOELF Upsized Tranche. Specifically, an Eligible Borrower should undertake good-faith efforts to maintain payroll and retain employees, in light of its capacities, the economic environment, its available resources, and the need for labor. Borrowers that have already laid off or furloughed workers as a result of the disruptions from COVID-19 are eligible to apply for Main Street loans.

#### **G.9. Can an Eligible Borrower receive more than one Main Street loan?**

An Eligible Borrower may only participate in one of the Main Street facilities: the NONLF, the NOELF, the MSNLF, the MSPLF, or the MSELF. However, an Eligible Borrower may receive more than one loan under a single Main Street facility, provided that the sum of NONLF Loans cannot exceed \$35 million; and the sum of NOELF Upsized Tranches cannot exceed \$300 million.

#### **G.10. Can an Eligible Borrower receive a loan if its maximum loan size under a facility’s term sheet test is below the minimum loan size for the same facility?**

No, borrowers may not receive a loan that is below the minimum loan size, which is \$250,000 for NONLF Loans, and \$10 million for NOELF Upsized Tranches.

#### **G.11. How can an Eligible Borrower determine if its existing loans had an internal risk rating equivalent to a “pass” in the FFIEC’s supervisory rating system on December 31, 2019?**

If an otherwise Eligible Borrower applies for a loan at an Eligible Lender with which it has an outstanding loan, the Eligible Lender will make the determination of whether the borrower’s existing loans have an internal risk rating that meets the requirements in the Main Street term sheets. The Eligible Lender will also assess the potential borrower’s financial condition at the time of the application.

#### **G.12. Can a Lender charge a Borrower additional fees above the Main Street origination fee and/or an interest rate above LIBOR + 300 basis points?**

Eligible Lenders are allowed to charge Eligible Borrowers a one-time origination fee as set out in the Main Street term sheets. In addition, Eligible Lenders may also require Eligible Borrowers

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to pay the transaction fee, which the Eligible Lenders must in turn pay to the Main Street SPV. Eligible Lenders are not permitted to charge Eligible Borrowers any additional fees, except de minimis fees for services that are customary and necessary in the Eligible Lender's underwriting of loans to similar borrowers, such as appraisal and legal fees. Eligible Lenders may also charge customary consent fees if such fees are necessary to amend existing loan documentation in the context of upsizing a loan in connection with the NOELF. Eligible Lenders should not charge servicing fees to Eligible Borrowers.

Main Street loans must have an interest rate of LIBOR (1 month or 3 month) + 300 basis points.

### **G.13. What methodology should be used to adjust EBIDA if an Eligible Lender has used a range of methods in the past with respect to a single Eligible Borrower or similarly situated borrowers?**

An Eligible Lender should require the Eligible Borrower to adjust its 2019 EBIDA by using the methodology that the Eligible Lender has previously required for EBIDA adjustments when extending credit to the Eligible Borrower or, if the Eligible Borrower is a new customer, to similarly situated borrowers on or before June 15, 2020. If an Eligible Lender has used multiple EBIDA adjustment methods with respect to the Eligible Borrower or similarly situated borrowers (e.g., one for use within a credit agreement and one for internal risk management purposes), the Eligible Lender should choose the most conservative method it has employed. In all cases, the Eligible Lender must select a single method used at a point in time in the recent past and before June 15, 2020. The Eligible Lender may not "cherry pick" or apply adjustments used at different points in time or for a range of purposes. The Eligible Lender should document the rationale for its selection of an adjusted EBIDA methodology.

### **G.14. For purposes of adjusting EBIDA, how does an Eligible Lender identify "similarly situated borrowers"?**

Similarly situated borrowers are borrowers in similar sectors with comparable risk and size characteristics. Eligible Lenders should document their process for identifying similarly situated borrowers when they originate a NONLF Loan.

### **G.15. Why is the Federal Reserve allowing adjustments to EBIDA for purposes of Main Street when it has noted supervisory concerns with these adjustments in the past? Is there a limit to how much EBIDA can be adjusted?**

It is normal industry practice for lenders and borrowers to agree to adjust a borrower's EBIDA to accommodate differences in operating models across sectors and to accommodate one-time events that may positively or negatively impact a borrower's earnings. When applied prudently, these adjustments may provide a lender with a more accurate representation of a Nonprofit Organization's earnings capacity over time.

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While the Main Street term sheets do not include limits on how much EBIDA can be adjusted, there are important features of the Program that are designed to limit excessive risk-taking. First, EBIDA adjustments must be of the type the Eligible Lender has previously (and recently) required for the Eligible Borrower or similarly situated borrowers. The Eligible Lender should document the rationale for its selection of an adjusted EBIDA methodology. See questions [G.13](#) and [G.14](#) above for more information.

In addition, the EBIDA-based leverage requirements should be viewed as minimum requirements for the Program. Eligible Lenders are expected to conduct an assessment of each potential borrower's financial condition at the time of the borrower's application.

Finally, the Program requires that a Main Street loan have an internal risk rating from the Eligible Lender equivalent to a "pass" in the FFIEC's supervisory rating system as of December 31, 2019. Loans that were criticized in the past for excessive adjustments would not be eligible for the Program.

#### **G.16. Do PPP loans count as "outstanding debt" for purposes of Main Street?**

Yes. The portion of any outstanding PPP loan that has not yet been forgiven is counted as outstanding debt for the purposes of the Main Street maximum loan size test.

#### **G.17. How will Eligible Borrower prepayments of a Main Street loan be applied against the principal amount due and future amortization payments?**

Prepayment of principal is permitted without penalty and will reduce future payments in the manner specified in the underlying loan documents. While lenders have flexibility in specifying these terms, they should make efforts to align their approach with the expected amortization schedule specified for each loan type. For example, applying prepayments to the next scheduled principal payment due would maintain the alignment of later payments with the amortization schedule and allow for the intended deferment of some portion of payments to later years.

#### **G.18. Can permissible fees charged at the time of origination be included in the principal amount of a Main Street loan?**

Yes. As indicated in questions [G.7](#) and [G.12](#), Eligible Lenders may charge certain fees to Eligible Borrowers at the time of origination. Eligible Lenders may include such fees in the principal amount of the Main Street loan, provided that the total Main Street loan amount, including such fees, may not exceed the maximum loan size permitted for the Eligible Borrower under the relevant Main Street facility.

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**G.19. Are Eligible Lenders allowed to include a LIBOR floor in the interest rate on a Main Street Loan?**

NONLF and NOELF must be adjustable-rate five-year term loans with an interest rate of 1-month or 3-month LIBOR plus 300 basis points. LIBOR floors are not permissible.

**G.20. [Reserved.]**

**G.21. [Reserved.]**

**G.22. Is an Eligible Lender restricted from setting monthly or quarterly interest payments after the first year, or will interest be required to be payable annually along with amortization payments of principal?**

After the first year of the loan, an Eligible Lender may require the payment of interest at the frequency it would ordinarily require payment with respect to loans made to similarly situated borrowers (e.g., quarterly or annually). The Federal Reserve does not expect that the frequency would ever be more than monthly.

**G.23. Can an Eligible Lender require an Eligible Borrower to provide collateral or guarantees solely with respect to the Eligible Lender's 5% retained portion of a Main Street loan?**

No. The Eligible Lender and Main Street SPV must share losses on a pari passu basis (i.e., ratably, without preference). Any collateral pledged or guarantees made in connection with a Main Street loan must apply to the entire NONLF Loan or NOELF Upsized Tranche.

**G.24. Are personal guarantees required and/or permitted?**

Personal guarantees are not required under Program terms. However, an Eligible Lender may require a guarantee as part of its own underwriting process. As with collateral providing security for a Main Street loan, guarantees must extend to the entire loan such that the Main Street SPV and Eligible Lender share losses on a pari passu basis.

**G.25. If an Eligible Borrower's outstanding debt is maturing within 90 days, can a Main Street loan be used to refinance such debt at the time of origination?**

No. While Eligible Borrowers are permitted to refinance debt that is maturing within 90 days during the life of a Main Street loan, it may not be done at origination.

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## G.26. Can an Eligible Lender or Eligible Borrower hedge interest rate and credit risk in connection with Main Street loans?

Yes. Eligible Lenders and Eligible Borrowers may hedge interest rate risk associated with Main Street loans. Eligible Lenders may also hedge credit risk associated with a Main Street borrower's industry, but may not engage in borrower name specific hedging of a Main Street loan.

## H. Certifications and Covenants

### H.1. [Reserved.]

### H.2. What compensation, stock repurchase and capital distributions restrictions apply?

The compensation, stock repurchase, and capital distribution restrictions that apply to direct loan programs under section 4003(c)(3)(A)(ii) of the CARES Act apply under each of the NOELF and NOSNLF.

### H.3. What restrictions are placed on the Eligible Borrower's ability to repay existing debt?

The restrictions on repaying debt are similar for the NONLF Loan and NOELF Upsized Tranche. The Eligible Borrower must commit to refrain from repaying the principal balance of, or paying any interest on, any debt until the NONLF Loan or the NOELF Upsized Tranche is repaid in full, unless the debt or interest payment is mandatory and due. The Eligible Borrower must also commit that it will not seek to cancel or reduce any of its committed lines of credit with the Eligible Lender or any other lender.

These covenants would not prohibit an Eligible Borrower from undertaking any of the following actions during the term of the NONLF Loan or NOELF Upsized Tranche:

- repaying a line of credit (including a credit card) in accordance with the Eligible Borrower's normal course of business usage for such line of credit;
- taking on and paying additional debt obligations required in the normal course of business and on standard terms, including inventory and equipment financing, provided that such debt is secured only by the newly acquired property (e.g., inventory or equipment), and, apart from such security, is of equal or lower priority than the NONLF Loan or the NOELF Upsized Tranche; or

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- refinancing debt that is maturing no later than 90 days from the date of such refinancing.<sup>4</sup>

#### H.4. Is an Eligible Lender permitted to accept partial repayment of an Eligible Borrower’s existing line of credit with the Eligible Lender?

The Eligible Lender would not be prevented from accepting repayments on a line of credit from an Eligible Borrower in accordance with the Eligible Borrower’s normal course of business usage for such line of credit.

#### H.5. What restrictions are placed on an Eligible Lender’s ability to cancel or reduce any existing committed lines of credit outstanding?

An Eligible Lender must commit that it will not cancel or reduce any existing committed lines of credit outstanding to the Eligible Borrower, except in an event of default. This requirement does not prohibit the reduction or termination of uncommitted lines of credit, the expiration of existing lines of credit in accordance with their terms, or the reduction of availability under existing lines of credit in accordance with their terms due to changes in borrowing bases or reserves in asset-based or similar structures.

#### H.6. What is the Eligible Lender’s role in verifying certifications and covenants?

An Eligible Lender is required to collect the required certifications and covenants from each Eligible Borrower at the time of origination or upsizing. Eligible Lenders may rely on an Eligible Borrower’s certifications and covenants, as well as any subsequent self-reporting by the Eligible Borrower. The Eligible Lender is not expected to independently verify the Eligible Borrower’s certifications or actively monitor ongoing compliance with covenants required for Eligible Borrowers under the Main Street term sheets. If an Eligible Lender becomes aware that an Eligible Borrower made a material misstatement or otherwise breached a covenant during the term of a NONLF Loan or NOELF Upsized Tranche, the Eligible Lender should notify the FRB Boston.

#### H.7. What debt and interest payments are considered “mandatory and due”?

The debt repayment covenants generally prohibit an Eligible Borrower from repaying the principal balance of, or paying any interest on, any debt until the Main Street loan is repaid in full, unless the principal or interest payment is “mandatory and due.” With respect to debt that predates the Main Street loan, principal and interest payments are “mandatory and due”:

- on the future date upon which they were scheduled to be paid as of the date of origination of the Main Street loan, or

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<sup>4</sup> Eligible Lenders and Eligible Borrowers are expected to act in good faith with respect to this requirement and in light of the goals of Main Street.



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- upon the occurrence of an event that automatically triggers mandatory prepayments under a contract for indebtedness that the Eligible Borrower executed prior to the date of origination of a Main Street loan, except that any such prepayments triggered by the incurrence of new debt can only be paid if such prepayments are de minimis.

For the avoidance of doubt, under the Program, Eligible Borrowers may continue to pay, and Eligible Lenders may request that Eligible Borrowers pay, interest or principal payments on outstanding debt on (or after) the payment due date, provided that the payment due date was scheduled prior to the date of origination of a Main Street loan. Eligible Borrowers may not pay, and Eligible Lenders may not request that Eligible Borrowers pay, interest or principal payments on such debt ahead of schedule during the life of the Program loan, unless required by a mandatory prepayment clause as specifically permitted above.

For future debt incurred by the Borrower in compliance with the terms and conditions of the Program loan, principal and interest payments are “mandatory and due” on their scheduled dates or upon the occurrence of an event that automatically triggers mandatory prepayments.

See question [H.3](#) above for more information about the debt payment covenants generally, including with respect to treatment of lines of credit.

#### **H.8. Can an Eligible Borrower receive a NONLF Loan or a NOELF Upsized Tranche if its existing debt arrangements require prepayment of an amount that is not de minimis upon the incurrence of new debt?**

If an Eligible Borrower has an existing debt arrangement that requires prepayment of more than a de minimis amount upon the incurrence of new debt, the Eligible Borrower cannot receive a NONLF Loan or a NOELF Upsized Tranche unless such requirement is waived or reduced to a de minimis amount by the relevant creditor.

#### **H.9. How must a Main Street borrower demonstrate that it is “unable to secure adequate credit accommodations from other banking institutions”?**

Being unable to secure adequate credit accommodations does not mean that no credit from other sources is available to the borrower. Rather, the borrower may certify that it is unable to secure “adequate credit accommodations” because the amount, price, or terms of credit available from other sources are inadequate for the borrower’s needs during the current unusual and exigent circumstances. Borrowers are not required to demonstrate that applications for credit had been denied by other lenders or otherwise document that the amount, price, or terms of credit available elsewhere are inadequate.

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H.10. [Reserved.]

H.11. [Reserved.]

H.12. [Reserved.]

H.13. [Reserved.]

H.14. [Reserved.]

H.15. [Reserved.]

## **I. Lender Information**

### **I.1. Which financial institutions are eligible to make loans under the Program?**

U.S. federally-insured depository institutions (including banks, savings associations, and credit unions), U.S. branches or agencies of foreign banks, U.S. bank holding companies, U.S. savings and loan holding companies, U.S. intermediate holding companies of foreign banking organizations, or any U.S. subsidiary of any of the foregoing are eligible to participate in the Program. At this time, nonbank financial institutions are not considered Eligible Lenders for purposes of the Program. However, the Federal Reserve is considering options to expand the list of Eligible Lenders in the future.

### **I.2. How should an Eligible Lender evaluate an Eligible Borrower's creditworthiness?**

Eligible Lenders should view the eligibility criteria in the term sheets as the minimum requirements for the Program. Eligible Lenders are expected to conduct an assessment of each potential borrower's financial condition at the time of the potential borrower's application. Eligible Lenders will apply their own underwriting standards in evaluating the financial condition and creditworthiness of a potential borrower. An Eligible Lender may require additional information and documentation in making this evaluation and will ultimately determine whether an Eligible Borrower is approved for a Program loan in light of these considerations. Nonprofit Organizations that otherwise meet the Eligible Borrower requirements may not be approved for a loan or receive the maximum allowable amount.

### **I.3. Can multiple affiliated Eligible Lenders participate in Main Street?**

Yes. Multiple affiliated entities may register as Eligible Lenders under the Program.

I.4. [Reserved.]

I.5. [Reserved.]

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I.6. [Reserved.]

I.7. [Reserved.]

I.8. [Reserved.]

I.9. [Reserved.]

I.10. [Reserved.]

I.11. [Reserved.]

I.12. [Reserved.]

## **J. Loan Participation**

J.1. [Reserved.]

J.2. [Reserved.]

J.3. Is there a limit to the volume of participations the Main Street SPV can purchase from a single Eligible Lender?

Apart from the Program's size and time limitations, there is no limit on the amount of participations the Main Street SPV can purchase from a single Eligible Lender.

J.4. [Reserved.]

J.5. [Reserved.]

J.6. [Reserved.]

## **K. Regulatory Treatment**

K.1. [Reserved.]

K.2. [Reserved.]

K.3. [Reserved.]

K.4. [Reserved.]

K.5. [Reserved.]

## **L. Operational Details**

### **L.1. How will the Federal Reserve administer the Program?**

The Program will be administered by the FRB Boston, which has established the Main Street SPV to purchase loan participations from Eligible Lenders in any of the twelve Federal Reserve districts. Further detail regarding how the Program will be operationalized will be made available in the future.

### **L.2. What information will the Federal Reserve disclose regarding the Main Street facilities?**

The Federal Reserve will disclose information regarding the NONLF and NOELF during the operation of the facilities, including information regarding names of lenders and borrowers, amounts borrowed and interest rates charged, and overall costs, revenues and other fees.

Loans made under the NONLF and NOELF will affect the size and composition of the Federal Reserve's balance sheet. Balance sheet items related to the NONLF and NOELF will be reported weekly, on an aggregated basis, on the H.4.1 statistical release titled "Factors Affecting Reserve Balances of Depository Institutions and Condition Statement of Federal Reserve Banks," published by the Federal Reserve. In addition, the Federal Reserve will disclose to Congress information pursuant to Section 13(3) of the Federal Reserve Act, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act, and the Board's Regulation A.

Under section 11(s) of the Federal Reserve Act, the Federal Reserve also will disclose information concerning the facilities one year after the effective date of the termination by the Board of the authorization of the facilities. This disclosure will include names and identifying details of each participant in the facilities, the amount borrowed, the interest rate or discount paid, and information concerning the types and amounts of collateral pledged or assets transferred in connection with participation in the facilities.

### **L.3. How will the remaining capacity of the Program be communicated?**

The Federal Reserve will provide periodic reports on the size of the Program and its remaining capacity.

L.4. [Reserved.]

L.5. [Reserved.]

L.6. [Reserved.]

L.7. [Reserved.]

L.8. [Reserved.]

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L.9. [Reserved.]

## **M. Other Information**

M.1. Where should questions regarding the Program be directed?

Inquiries can be submitted by email to [mstp@bos.frb.org](mailto:mstp@bos.frb.org).

M.2. How can I receive updates regarding changes to the Program?

The terms of the Program are available on the Board's [website](#) and will be updated to reflect modifications as they are made. Interested parties can sign up for alerts [here](#).

M.3. [Reserved.]

M.4. [Reserved.]