

United States Senate

June 24, 2020

The Honorable Steven Mnuchin
Secretary
Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

The Honorable Jerome H. Powell
Chairman, Board of Governors of the
Federal Reserve System
20th Street and Constitution Ave., NW
Washington, D.C. 20551

Dear Secretary Mnuchin and Chairman Powell,

We write to offer comments on how the Treasury Department and the Federal Reserve can better design its proposed expansion of the Main Street Lending Program (the Program) to accommodate nonprofit organizations.

We applaud the Federal Reserve for proposing to make nonprofit organizations eligible for the Program as intended under the CARES Act. Charities are providing critical services such as youth services, meal delivery, and social service programs during the pandemic and economic crisis while also facing major financial difficulties. They will be a necessary part of an effective post-crisis recovery, and deserve our support.

However, we have also heard from nonprofits that the Program will be difficult to take advantage of because of certain terms. Therefore, we ask that you consider making the following changes to the Program:

1. Increase allowable donations as share of revenue: The Federal Reserve's proposal defines an eligible borrower as one that received less than 30% of its total 2019 revenues from donations. However, under the Internal Revenue Code, 501(c)(3) nonprofits must meet a "public support" test, meaning they receive at least one-third of their revenues from the general public, other public charities, or government agencies. The proposed Federal Reserve standard runs directly counter to this established criterion. We therefore ask that you increase the standard.
2. Extend loan terms: The proposal would set a term of 5 years on loans made through the Program. Given the severity of the economic crisis, we suggest extending the term to allow more time for borrowers to repay these loans.

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3. Ensure better access for smaller nonprofits: A recent report from William English and Nellie Liang of Brookings recommended that the Program's minimum loan size be reduced below \$250,000 to encourage smaller businesses—and smaller banks—to participate in the Program. There are many small charitable organizations that provide vital community services, so we ask that you consider this proposal, as well as reducing the minimum number of employees, for nonprofits as well.
4. Accommodate different risk levels: We ask that you consider two other recommendations made by English and Liang. First, nonprofits with higher credit ratings should be able to qualify for a lower lending rate, as well as streamlined documentation requirements. Second, we ask that you consider allowing lenders to make loans in certain cases to charitable organizations with somewhat riskier credit if the lenders are willing to retain a greater share of the risk on their balance sheets.

Making nonprofit organizations eligible for the Main Street Lending Program is a necessary step but not sufficient. In order to maximize its impact, the Program's terms must be designed to accommodate nonprofits that are creditworthy during normal conditions. This will allow them to continue providing the services that are so necessary during the current crisis, and also to contribute fully to the post-crisis recovery.

Sincerely,



Dianne Feinstein
United States Senator



Mike Braun
United States Senator