NATIONAL HEALTH COUNCIL
Celebrating 100 Years

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June 22, 2020

The Honorable Jerome Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Chairman Powell,

The National Health Council (NHC) appreciates the announcement of the Main Street Lending Program plan to provide credit access for nonprofit organizations. Patient groups have been and will be significantly harmed by reduced charitable giving, travel restrictions, fundraising event cancellations, and reduced meeting attendance due to COVID-19. The new loans will provide some assistance to these groups to offset these losses and help assure our nation's vital nonprofit infrastructure can weather this storm.

Patient advocacy organizations serve the patients and communities we represent at no-cost. We are the groups helping people most impacted by the virus, those with underlying chronic conditions that often result in more severe cases of illness. We have seen significantly increased demand for our invaluable services during this public health emergency, while at the same time seeing significant reductions in revenue. In addition, the nonprofit sector is the third largest workforce in the U.S., behind retail and manufacturing. In order to continue our valuable work, it is critical that patient advocacy and community-based organizations and other nonprofits have access to loans to weather the growing economic burden of the COVID-19 pandemic.

We commented in April that you provide explicit funding for nonprofits through an exclusive pathway within the Mid-Size Business Loan Program. This funding will support loans to nonprofit employers with up to 10,000 employees, since those with over 500 employees are barred from the CARES Act's small business lending.

We also wrote that is was also imperative this program include loan forgiveness modeled after the CARES Act Section 1106. It does not appear that the proposed model includes forgiveness, and we urge you to consider creating a path to forgiveness in the final model for this program. We are working with Congress to help make sure that the Fed has the capacity to offer forgiveness, knowing that it may not be possible under current statute. Without this change, the expanded loan program may not be viable for many nonprofits.

Another significant concern is the 30% limit on revenue from donations. This is a major disqualifier for most of the nonprofits of the size targeted for this program. These are some of the largest and most established nonprofits in the country and are also those significantly affected by the economic impact of COVID-19. As previously stated, the pandemic has created a massive shortfall of charitable giving, much of it associated with canceled in-person events such as walks, runs, and bike rides. We expect that once the virus is contained, many of these events will resume, and giving will return. But until that time, organizations who rely on donations desperately need targeted assistance. Without access to this loan program much of the scientific progress and advocacy these organizations lead will be lost.

There are several other specific eligibility criteria included in the plan that are also of concern to the nonprofit patient advocacy groups. First, the Fed proposal requires high levels of liquidity; however, the pandemic has reduced liquidity and makes this a challenge. And nonprofits in general have lower levels of liquidity than for-profit entities due to the nature of their structure, accounting practices, and laws regulating tax-exemption. Second, the interest rates proposed are the same as for for-profit businesses. Both the Paycheck Protection Program and Economic Injury Disaster Loan provide lower interest rates for nonprofits and this program should be comparable. The fees, especially without access to loan forgiveness, will also be onerous. Third, the proposal includes a 70% balloon payment in 5 years. The economic impact of COVID-19 is likely to impact nonprofits for many years. We request that this payment schedule be extended or that nonprofits have the opportunity renegotiate terms before the end of the loan period. Finally, requiring unrestricted 2019 operating revenue be greater than or equal to 5% is overly restrictive for nonprofits facing financial difficulty.

Again, we thank you for taking this unprecedented step of creating a loan program specifically targeted at mid-sized nonprofit organizations that have been hit so hard during this emergency. We look forward to working with you on the details to create a program that will be most effective for these critical organizations.

Sincerely,

Marc Boutin, JD
Chief Executive Officer National Health Council