Help Charities Impacted by COVID-19
Support Forgivable Loans for Mid-Size Nonprofits

Background

The undersigned groups represent mid-sized nonprofits with more than 500 employees who are unable to access any sort of forgivable loans though the Paycheck Protection Program (PPP). According to the U.S. Bureau of Labor Statistics, nonprofits with more than 500 employees employ 7.7 million people. Nonprofits are the third largest employer in the economy after manufacturing and retail.

New spot-check survey data of 110 mid-size nonprofits released by Independent Sector illustrate nonprofits with between 500-5,000 employees have been severely impacted by this health and economic crisis:

- 51% have laid off employees and 67% have furloughed employees;
- 71% report a reduction in services or available operations; and
- 83% of organizations had a reduction in contributions/revenue as of April 2020 compared to April 2019, including a drop of 53% from individual charitable giving.

When asked what types of assistance would be most helpful, *92% suggested additional loan options such as forgivable loans.*

The Fed's Main Street Lending Facility

On June 15, The Federal Reserve proposed to expand its Main Street Lending Program (MSLP) facility to allow it to lend to nonprofit organizations, including mid-size nonprofits, hurt by COVID. Unfortunately, the eligibility criteria have a number of provisions that would make it impossible for mid-sized charities to qualify. As currently proposed, it is designed more for transactional nonprofits that function like businesses, such as hospitals and institutions of higher education, than for other nonprofits that rely more heavily upon donations from the public to support their mission. Here are two examples of how the proposal fails to understand the unique nature of nonprofits:

1. The Fed's proposal disqualifies nonprofits who receive more than 30% of their revenue from donations. That is incompatible with the IRS "public support" test requiring tax-exempt 501(c)(3) groups to receive at least a third of their revenue from contributions.
2. The Fed also requires nonprofits to essentially have a 5 percent *profit*. Nonprofits function in a model that does not turn a profit. If we were to have a 5 percent surplus, it would mean not using millions of dollars in public donations meant to fund critical services such as youth, meal delivery, social service programs, and health research.

<u>Not surprising, the proposal does not include forgivable loans which would need to be authorized by Congress</u>.

Legislation

The House-passed H.R. 6800 (Section 110604) would require that the Federal Reserve include nonprofit organizations in the Main Street Lending Program and offer those organizations low cost and forgivable loans to continue their important work serving low-income communities. This section was based on Rep. Joyce Beatty's (D-OH) legislative proposal, the *Help Charities Protect Communities Act,* that would include all mid-size nonprofit organizations in the Main Street Lending Program and would extend to them low cost and forgivable loans.

ASK: We ask that Congress weigh in with the Fed to quickly finalize a nonprofit lending facility under MSLP that is tailored to accommodate mid-size nonprofits. We also strongly urge Congress to include language in the next COVID-relief package similar to H.R. 6800 that offers a loan forgiveness option but includes that option for all mid-size nonprofits.

If you have any questions, please contact Emily Horowitz, Associate Government Relations Manager at American Heart Association, at emily.horowitz@heart.org.

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