

Congress of the United States
Washington, DC 20515

July 29, 2020

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, DC 20515

Dear Speaker Pelosi and Leader McCarthy:

We write to express our sincere appreciation for your leadership during this pandemic in supporting America's frontline workers and hard-hit families. It was through your stewardship that Congress successfully passed the CARES Act, which averted a more devastating economic catastrophe in the immediate first wave of the COVID-19 economic crisis. As you know, it is profoundly clear that more needs to be done to meet the evolving economic crisis. We request that any final legislative package include the meaningful relief for nonprofits expressed in the HEROES Act while providing for loan forgiveness for these frontline service providers.

Last Friday, the Federal Reserve finalized its terms to expand the Main Street Lending Program (MSLP) to nonprofit organizations, third largest employer in the private-sector economy. The loan terms under the MSLP nonprofit loans, including the interest rate, deferral of principal and interest payments, and five-year term remain the same as proposed in June and are the same as MSLP business loans. Unfortunately, these terms failed to recognize the unique structure and function of nonprofits and did not respond to the many comments provided by nonprofits on how those terms and eligibility criteria would not work for charities.

There are numerous financial restrictions that make the loan program unworkable to most organizations that are targeted for support. Its terms do not recognize the realities of their business models, and we have heard clearly from charitable nonprofits with 500 or more employees who have been ineligible for the Paycheck Protection Program (PPP), that many of the financial requirements included would discourage them from applying. We are disappointed that the Federal Reserve's MSLP will not be a helpful option for mid-size nonprofits serving our communities.

A new report released by Johns Hopkins University estimates 1.6 million job losses at nonprofits between March and May 2020. This represents roughly 13 percent of all nonprofit jobs in the United States.¹ A recent analysis of mid-size nonprofits (between 500-5,000 employees) by Independent Sector shows that mid-sized nonprofit organizations have been severely impacted by this health and economic crisis:²

¹ <http://ccss.jhu.edu/2020-nonprofit-employment-report/>

² <https://independentsector.org/resource/covid19-survey/>

- 51% have laid off employees and 67% have furloughed employees;
- 71% report a reduction in services or available operations; and

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

Further, nonprofits directly engaged in the medical fight against COVID-19 may well be undercut if they access the current Federal Reserve facility. The American Lung Association previously announced it would expand its COVID-19 research within its Airways Clinical Research Center Network to examine preventive research, vaccines, antivirals and to advance future outbreak preparedness, as well as to evaluate the effect of COVID-19 on patients with chronic lung disease. The current Federal Reserve terms would require the Lung Association to have a “profit” of 2 percent, or \$2.6 million a year, in order to qualify for a loan through the Main Street Lending Program. However, that would mean \$2.6 million that would not be going for the donor intent of research funding and the Lung Association’s effort to fight the virus.

In the House-passed HEROES Act (Sec. 110604), we mandated that the Federal Reserve offer a low-cost loan option tailored to the unique needs of nonprofit organizations and it would be backstopped by the Treasury Department to allow the loan to be forgiven solely for nonprofits predominantly serving low-income communities. As this crisis has persisted and small and mid-size nonprofits have been unable to access any meaningful relief, we recommend that the HEROES Act Sec. 110604 language be included in the next COVID package while also providing the option for loan forgiveness for qualified nonprofits who have between 500-5,000 employees.

This change could enable nonprofits to rehire and retain employees while continuing to offer the frontline service they provide to our communities without incurring debt that threatens their sustainability. Thank you for your leadership and attention to this request.

Sincerely,



Emanuel Cleaver, II
Member of Congress

Wm. Lacy Clay
Member of Congress

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Member of Congress Member of Congress Member of Congress

Eleanor Holmes Norton
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Brenda Lawrence Member of Congress			