AICCU
ASSOCIATION OF INDEPENDENT CALIFORNIA COLLEGES AND UNIVERSITIES

Kristen F. Soares, President

June 22, 2020

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

**Subject: Main Street Lending Program—Access by Nonprofit Organizations**

Dear Chairman Powell:

On behalf of the Association of Independent California Colleges and Universities (AICCU), I am submitting the following comments regarding the Main Street Lending Program (MSLP) expansion to be accessible to nonprofit organizations, including nonprofit higher education institutions, and the proposed terms and structure.

AICCU is the organizational voice for 85 nonprofit higher education institutions in California. Together, our institutions serve 380,000 students, both undergraduate and graduate.

Institutions of higher education, often the largest or one of the largest employers in their local communities, are facing a major cash flow crisis in light of the reduced revenue and increased expenses due to the COVID-19 pandemic. Additionally, as institutions prepare for the safe return of students and faculty for the Fall term, they will undoubtedly face additional costs to ensure a safe learning environment which will include, among other things, sufficient PPE for students and staff, campus COVID-19 cleaning, testing and tracking tools, and efforts to de-densify campus housing and learning facilities.

We appreciate the Federal Reserve's effort to expand the MSLP to allow the participation by nonprofit organizations. As you seek to finalize its terms and structure, we offer the following comments to help ensure that all California nonprofit colleges and universities can access this important program:

- We ask that *all* nonprofits colleges and universities, regardless of the number of employees, be made eligible for these loans, given the importance and direct and indirect economic impact of these institutions to their communities and regions. Further, hospital systems affiliated with universities should not be aggregated with universities for the purposes of any size cap. Both universities and their affiliated hospitals should separately be eligible to apply for funding.

- We ask that the $3 billion endowment threshold be removed as a condition of eligibility. An endowment is not a single fund that can be used for any purpose like a checking or savings account. Rather, it is a collection of often thousands of gift funds designated for specific purposes ranging from endowed faculty positions to scholarships, both in the present and the future. Endowments are not accessible as rainy day funds and are ill-suited to patch emergency funding needs.

- We continue to ask that student workers be exempted for the purposes of the employee threshold for eligibility. Our institutions employ student workers across campus as a part of their overall financial support to help pay for college and provide students with work experiences while keeping them close to campus for the purposes of their education. With the majority of our campuses closed for the Spring and Summer terms and have transitioned to online learning, all or most of these student employees have left campuses, and therefore should not be included for the purposes of the employee threshold.

- We believe the terms in the MSLP nonprofit program should reflect the unique nature of nonprofit organizations, particularly nonprofit higher education. The program should offer longer deferments and repayment terms than what is currently included in the proposed term sheet. For example, for colleges and universities, any enrollment declines at the start of the Fall term will affect our institutions for at least an additional four years as that smaller cohort advances through their degree programs. A longer repayment period (at least six to eight years), as well as a longer deferment period (two years or longer), will help to ensure nonprofits are on better financial standing to make payments on these loans.

- We believe the interest rate on the MSLP nonprofit loans should be below the rate for the MSLP business loans, currently set at an adjustable rate of LIBOR plus 3 percent. Nonprofit organizations seek to serve their respective missions while remaining solvent, compared to for-profit entities which work to maximize net revenues. Rather than LIBOR plus 3 percent, we propose that the margin be set above LIBOR at a lower level, ideally at a level sufficient to cover the costs of the program without generating a net gain for the Federal Reserve. An attractive and competitive interest rate will help colleges and universities access this important program and allow our institutions to manage their higher costs, lost revenue, avoid large-scale employee furloughs, and continue to play an essential role in their communities' long-term economic recovery.

It is vital to provide this access to low-interest loans to nonprofit colleges and universities financially devastated by the pandemic and struggling to continue to educate and assist students and employ faculty and staff. Thank you for the consideration and we look forward to working with you on this and other important loan programs as the Federal Reserve responds to the COVID-19 crisis.

Sincerely,

Kristen F. Soares