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The Fed will Include Smaller Cities and Counties in Its Municipal Lending Program.

The Federal Reserve on Monday said it would substantially expand its municipal lending program, an effort to provide relief to strapped states and cities as the coronavirus outbreak drains public coffers.

The Fed had previously announced that it would buy short-term debt from states, cities with populations of more than one million and counties with populations exceeding two million. On Monday, it expanded that to cities with more than 250,000 residents and counties with more than 500,000. It also announced that it would buy slightly longer-term debt: securities that mature in three years will qualify for the program, up from two years previously.

The program, which has yet to start, will operate through the Federal Reserve Bank of New York. It will be backed by $35 billion in Treasury Department funding, and will be capable of buying up to $500 billion in eligible debt.

A total of 261 states, cities and counties will qualify for the program, the Fed said. So will some multistate issuers, which can include entities like the Port Authority of New York and New Jersey.

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