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Fed Extends Municipal Liquidity Facility Beyond Largest Cities.

The Federal Reserve on Monday extended the scope of its liquidity facility concerning municipal debt to include slightly smaller U.S. counties and cities.

The program will now allow counties with a population of at least 500,000 residents and cities with a population of at least 250,000 to be eligible for selling their short-term debt directly to a special purpose vehicle established by the Fed and the U.S. Treasury.

When the facility was originally announced on April 9, the facility set the county threshold at two million residents and the city threshold at one million residents. Fed officials had been telling smaller counties and cities to seek funding at the state level, which is also eligible for the facility.

The facility will continue to support $500 billion of short-term notes through $35 billion of credit protection from the U.S. Treasury, appropriated from the Coronavirus Aid, Relief, and Economic Security Act (CARES) passed some weeks ago.

The new terms of its Municipal Liquidity Facility will also allow for the purchase of slightly longer notes. The original terms only allowed for debt up to 24-months, but the new terms will take on debt that matures up to 36 months.

Issuers will have to have at least an investment grade rating as of April 8.

Yahoo Finance

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April 27, 2020