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Fed Takes Next Step Toward Launching Muni Lending Facility.

The Federal Reserve took another step toward launching an emergency lending program for state and local governments, publishing an online document on Friday for would-be borrowers.

The so-called notice-of-interest document is for eligible issuers in the municipal debt market "to express interest in selling notes to the special purpose vehicle" set up as part of the program, the New York Fed said on its website. "Filling out the notice of interest is the initial step for an eligible issuer to provide eligibility information to the SPV for review."

The New York Fed also said it has retained BLX Group to help administer the program, known as the Municipal Lending Facility, which was first announced on April 9. It's one of nine emergency lending programs the U.S. central bank has been working to get up and running in recent weeks in a bid to maintain liquidity in financial markets as the coronavirus pandemic comes down hard on the economy.

Budgets of state and local governments have come under serious strain as stay-at-home orders have shuttered entire sectors and tax revenues have dried up. The Fed facility offers to purchase securities from state and local issuers with maturities of up to three years to help temporarily fund the shortfalls, though a bipartisan group of senators is calling for the Fed to buy longer-term debt as well.

Democrats and Republicans are also debating direct aid for states and municipalities as part of another round of fiscal relief.

"This NOI is designed to provide the Reserve Bank with an indication of the eligible issuers that intend to participate in the MLF," the New York Fed document posted Friday stated. "This information will be used to anticipate the staff allocation and market timing needed to fully execute the MLF. The facility isn't a 'first-come, first-served' program."

Bloomberg Economics

By Matthew Boesler

May 15, 2020

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