

# **Bond Case Briefs**

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## **The Fed Makes Groundbreaking Purchase of Municipal Bonds, But Is it Enough?**

In March, as part of its response to COVID-19, the Federal Reserve announced it would for the first time in its history enter the municipal bond market — a \$4 trillion market financing everything from transportation infrastructure to affordable housing to schools to economic development. As of June 15, just one state had sold any bonds to the Fed.

That state was Illinois, which sold a \$1.2 billion “tax-anticipation note” to the Municipal Lending Facility, managed by the Federal Reserve Bank of New York. The state owes 3.82 percent in interest to the facility, or about \$45.8 million, with principal and interest due for repayment in one year.

Some economists have been saying the Federal Reserve should be making many more municipal bond market purchases as part of its normal functioning, not just as part of a crisis response. In addition to helping the Fed perform its mandated function of stabilizing the financial system, they say it would have huge benefits for cities, among other things making it easier to finance public transit, public housing, climate resilience projects and invest in historically disinvested communities.

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OSCAR PERRY ABELLO JULY 7, 2020