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New York Transit Agency Turns to Fed for $450 Million Borrowing.

(Reuters) – New York's financially beleaguered Metropolitan Transportation Authority (MTA) said it sold $450.7 million of debt to the New York Federal Reserve's Municipal Liquidity Facility (MLF) on Tuesday in a move that substantially lowered its borrowing costs.

The MTA is only the second muni bond market issuer to tap into the Fed's program, one of around a dozen emergency credit facilities launched by the central bank this year to help ease the blow from the coronavirus pandemic. The deal came a week after the Fed eased some credit terms for the MLF.

The mass transit agency, which has been hit hard by a sharp drop in ridership on its buses, subways and trains amid the pandemic, said it sold the bond anticipation notes at a true interest cost of 1.92%, saving more than 85 basis points.

The MTA said it initially offered the three-year notes in competitive bidding on Tuesday in the U.S. municipal market, receiving 20 bids from 10 banks, with an average clearing true interest cost of 2.79%.

So far, the Fed has reported that only Illinois, the lowest-rated U.S. state, had tapped the MLF for a $1.2 billion cashflow issue in June.

After complaints that MLF borrowing costs were too high, the Fed announced last week that it would lower the interest rate spread charged on loans issued by the facility by half a percentage point for each credit rating category.

The $500 billion short-term borrowing program was announced in April as a way for states and local governments to access cash as their revenue fell due to the pandemic. In June, it was expanded to include mass transit agencies.

Reuters

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(Reporting by Karen Pierog in Chicago and Jonnelle Marte in New York; Editing by Will Dunham)