

PUBLIC FINANCE ADVISORY

Federal Reserve Announces an Expansion of the Scope and Duration of the Municipal Liquidity Facility



On April 27, 2020, the Federal Reserve announced an expansion of the scope as well as the duration of the Municipal Liquidity Facility (the MLF). The MLF, which was originally announced on April 9, 2020, as part of the \$2.3 trillion loan program, will offer up to \$500 billion in lending to states and municipalities to help manage cash flow stresses caused by the COVID-19 pandemic. Please click [HERE](#) to see our initial advisory concerning the MLF; this advisory should be read in conjunction therewith.

The MLF, as revised, will purchase up to \$500 billion of short-term notes issued by U.S. states, U.S. counties with a population of at least 500,000 residents, and U.S. cities with a population of at least 250,000 residents.

When the MLF was originally announced on April 9, the MLF set the county threshold at 2 million residents and the city threshold at 1 million residents. The new population thresholds allow substantially more entities to borrow directly from the MLF than did the initial plan. The MLF continues to provide for states, cities, and counties to use the proceeds of notes purchased by the MLF to purchase similar notes issued by, or otherwise to assist, other political subdivisions and governmental entities. The Federal Reserve announcement also allows participation in the MLF by certain multistate entities. A multistate entity is an entity that was created by a compact between two or more states, which compact has been approved by the United States Congress acting pursuant to its power under the compact clause of the United States Constitution.

The new terms of the MLF 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 at up to 36 months.

The termination date (initially set at September 30, 2020) for the MLF has been extended to December 31, 2020, in order to provide eligible issuers more time and flexibility. For questions regarding the new municipal liquidity facility and its impact, please contact any member of our [Public Finance Group](#).



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