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April 15, 2020

VIA Electronic Mail

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington DC 20551

RE: Municipal Liquidity Facility

The Government Finance Officers Association (GFOA) is pleased to provide comments on the Federal Reserve's (Fed) April 9, 2020 formation of the Municipal Liquidity Facility (MLF) on behalf of our over 21,000 members representing governments and political subdivisions that issue municipal securities. We applaud the Federal Reserve's careful interpretation of the legislative intent of the CARES Act and support the Fed's efforts to provide emergency liquidity to states and localities facing severe uncertainties as a result of the crisis. The April 9th announcement indicated that certain terms and features of the MLF are still being resolved. The GFOA has considered the program details that have thus far been released and provides comments on those matters, and well as other issues that we ask the Fed to address related to the MLF.

Eligible Entities The Fed's announcement specifies that only states, counties with populations of at least 2 million, and cities with populations of at least one million are eligible to access the MLF directly. As many have noted, this approach serves two potential policy purposes. On one hand, it provides a pool of 75 potential credits – states and the largest of local governments - access to short-term capital. On the other hand, it fails to allow the other 75,000 governmental issuers' direct access to the facility. GFOA recommends that the Fed provide facility access to a larger and more diverse pool of issuers.

In the Term Sheet[1], the Fed provides that "States may request that the Special Purpose Vehicle (SPV) purchase eligible notes in excess of the applicable limit in order to assist political

[1] https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200409a3.pdf

subdivisions and instrumentalities that are not eligible for the facility." In so doing, States that participate will act as intermediary and will assume the risk of the credits of all borrowers. While all governments should have access to this relief, current stresses experienced by local governments, instrumentalities and political subdivisions are an additional burden to state governments experiencing similar burdens themselves. GFOA recommends that the Fed explicitly provide assurances to States against losses associated with defaults and other credit-events experienced by borrowers accessing the facility through their state governments.

Additional guidance is needed to address concerns with the parameters of the MLF program. These concerns are especially present as only one issuer per State, City, or County is eligible to use the facility. Each State has unique constitutional issues that may impair their ability to meet this requirement; in other words, the credit for a bond bank type entity that addresses the needs of subdivisions and instrumentalities within the State's border may need to be different and separate from the State's credit. Also, creating a bond bank type entity could restrict the State's own ability to access the Facility. Finally, the GFOA requests that the Fed provide assurances that eligible issuers are able to draw down funds through the facility as needed. There will be better use of the facility if issuers do not have to incur negative carry on a lump sum draw.

Extend Termination Date For two key reasons, the Fed should extend the termination date until at least December 31, 2020. First, as the Fed's announcement suggests, States are intended to be the conduit body for local government units below the population thresholds access the program. Few states have such statutorily created facilities. In many states, standing up such a facility would require state legislative action and administrative and legal hurdles. Second, the current health pandemic has just started and due to the time related to process tax collections, there will be delays with States and other units of government determining the extent of their liquidity needs. This timeline will vary State-to-State, but in general States and local governments may not have fully assessed their needs by the current termination date of September 30, 2020.

Allowable Use of Proceeds The Fed should also clearly discuss in its upcoming FAQs or other documentation allowable use of proceeds. Without such clarity, governments may discover several years in the future that the Fed's interpretation of use of proceeds differs from their own issuance. In particular, governments may borrow for "expenses related to losses incurred as a result of the coronavirus."[2] That may mean different expenses and revenue losses for different types of governments. Therefore, GFOA recommends that the Fed allow for a broad definition for the use of proceeds that correlate to the varied economic crises of communities.

Pricing and Term Sheet Considerations The Fed's MLF announcement provided few details on how notes will be priced. Provided the policy objective of the MLF is to provide opportunity for liquidly in the public sector, we would encourage the Fed to develop pricing structures that would not penalize an issuer from other sources of capital. Said simply, notes offered by the facility should be priced as close as possible to market norms utilizing commonly used benchmarks[3]. Without such structures, issuer participation is likely to be dampened.

[2] P.L. 116-136, Section 4003(a)
[3] For example - MMD, MMA, Bloomberg BVAL, MBIS, ICE, the Treasury curve, or others.

Pricing for the MLF will likely also be based on credit quality, perhaps the index flat for triple-A borrowers, the index plus 10 basis points for double-A borrowers, plus 20 basis points for single-A borrowers, for example. GFOA recommends that the credit reference is based on the issuer's underlying long-term credit rating/grade as of March 1, 2020, thus being more representative of the true credit quality of the issuer.

Disclosure Considerations GFOA authors and maintains a suite of best practices in issuer disclosure. In addition, GFOA's Debt Committee recently published considerations for issuer disclosures during COVID-19.[4] In order to streamline participation in the program to a significant degree, we urge the Fed to utilize the disclosure regime currently in place. We ask that disclosures not extend beyond what issuers are required to provide pursuant to their Continuing Disclosure Agreements. As others have suggested, we urge the Fed to allow issuers to satisfy compliance with program terms with representations rather than the submission of financial or other documents. Disclosure considerations will also depend on other details of this facility: Will DTC be involved with issuance? Will secondary market trading possibilities exist?

Cost and Administration of Issuance GFOA understands the substantial efforts and costs of issuing debt in the public markets. Additionally, issuers will likely assume similar costs when accessing the MLF. We would ask the Fed to consider guidance that additional costs of issuance can be paid from the proceeds of borrowing.

GFOA recognizes the considerable efforts of the Federal Reserve to launch and maintain the Municipal Liquidity Facility and we believe it will provide much-needed immediate assistance in critical areas. This facility goes a long way to accomplish the policy objective of ensuring sufficient liquidity in the public sector. We provide these comments in order to ensure effective implementation. Thank you for considering our comments and we look forward to working with you on this and other matters as this crisis and recovery evolves.

Sincerely,

Emily S. Brock

Emily Swenson Brock

Federal Policy Director

[4] https://www.gfoa.org/gfoa-debt-committee-releases-urgent-member-guidance-covid-19-debt-service-and-disclosures

Comments and Questions Regarding Federal Reserve Programs and Facilities

Municipal Liquidity Facility

1. If an eligible city or county government assesses a local hotel tax and uses that revenue, either in whole or in part, for the purpose of funding a nonprofit Destination Marketing Organization (e.g. a convention and visitors bureau), can the city or county government issue MLF bonds backed by the hotel tax revenue and use the bond proceeds to help with cash flow issues of the nonprofit Destination Marketing Organization?
   - **U.S. Travel Comments:** Destination Marketing Organizations (DMOs), which are typically classified as small 501(c)(6) or 501(c)(4) nonprofits, provide critical economic development, convention sales and management, and tourism promotion services for cities and counties across the U.S. The vast majority of nonprofit DMOs receive funding from hotel taxes assessed by a city or county government. In many cases, the nonprofit DMOs were also established through enabling legislation passed by a city or county government.

     COVID-19 has led to a sharp drop in hotel occupancy along with a liquidity crunch among travel industry partners, decimating DMO revenue, halting their operations and forcing them to layoff thousands of workers. DMOs are in desperate need of financial assistance to keep workers employed and maintain operations in order to help power the economic recovery.

     Given the direct funding relationship between city or county governments and DMOs, and the DMOs' direct reliance on funding from hotel taxes assessed at the local level, we urge the Federal Reserve to allow city or county governments to issue bonds backed by hotel tax revenue and permit the use of the bond proceeds for funding the operations of DMOs that would have otherwise received the lodging tax revenue.

2. Will maturity be extended beyond 2 years?
   - **U.S. Travel comments:** We believe a two-year maturity period is far too short for the communities most in need of assistance, particularly those that rely on robust travel spending to support their economies, their budgets and the operation of tax-supported entities, like Destination Marketing Organizations. A 2-*year maturity date doesn't* give issuers enough time to restore their economies to full strength and generate the *revenue needed to pay back the bonds. Further, under many projections, it'll take* an extended amount of time for social distancing precautions to fully recede and longer still for consumer demand to pick up. As such, the revenue generated through travel-related taxes, such as hotel occupancy and rental car taxes, will not likely fully rebound within the next two years, with depressed collections remaining a strain on issuers—which will be compounded by the need to repay the bond within two years.

3. Will bond pricing consider the credit rating of the issuer before the crisis hit?

- **U.S. Travel comments:** The interim guidance provided by the Federal Reserve states *that "pricing will be based on an Eligible Issuer's rating at the time of purchase with details to be provided later." However, many state and local governments are facing* extreme financial stress due to the unexpected cost of COVID-19 on health-related expenditures, social safety nets, and tax revenue—which may impact their credit *rating and ultimately the bond's cost (i.e. yield). Therefore, we believe pricing should* be based on the best credit rating the issuer received over the previous 3 years, with the expectation that the bonds will enable issuers and the communities they serve to return to full financial strength on a sustainable basis. A high yield will make it harder to return to that strength in the shortest amount of time.

4. Will U.S. territories be able to participate in the Municipal Liquidity Facility?
   - **U.S. Travel comments:** The guidance provided by the Federal Reserve only lists the District of Columbia as an eligible state-equivalent participant, but U.S. territories have similar needs to U.S. states and are experiencing similar stresses. Therefore, they should be given equal treatment within the Municipal Liquidity Facility.

5. Will the aggregate bond limit only be based on the general and utility revenue of the issuer in fiscal year 2017, or can the issuer elect other years that more accurately reflect its financial needs?
   - **U.S. Travel comments:** Many states, territories, counties, and cities have gone through drastic changes in recent years, including the establishment of new agencies, partnerships, and services that derive their revenue from hotel taxes and other new or modified taxes and fees. Restricting revenue considerations to only fiscal year 2017 may distort and minimize the real challenges faced by states, territories, counties, and cities to make up for lost revenue and meet the needs of their residents. To account for this, issuers should be able to elect any fiscal year within the last 5 years (including FY2020 based on the most recent revenue projections available before the crisis hit) to determine the appropriate aggregate bond limit.

6. **Can the Federal Reserve change the population requirements for eligible issuers in the Municipal Liquidity Facility to be below 1 million residents for cities and below 2 million residents for counties?**
   - **U.S. Travel comments:** We believe any municipality or county government with bonding authority should be able to participate in the MLF. Many cities and counties that do not meet the respective resident thresholds will be disadvantaged by having to compete for funds at the State level, even if their budgets were not previously dependent on the State for primary funding. Even though States are able to request an increase in their aggregate limit to account for the needs of political subdivisions and instrumentalities that are not eligible for the MLF, the extra step may act as an impediment for political subdivisions and instrumentalities that do not have strong relationships with State officials.

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April 16, 2020

Mr. Jerome H. Powell, Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Dear Mr. Powell:

On behalf of the AFL-CIO, thank you for the opportunity to submit comments on the Federal Reserve lending programs that have been opened to provide funding assistance to businesses, consumers and state and local governments that are struggling as a result of the coronavirus pandemic. In recent weeks, the Federal Reserve and Department of Treasury have taken unprecedented action to provide trillions of dollars of support to credit markets.[1]

The AFL-CIO is a federation of 55 national and international labor unions that represent 12.5 million working men and women. Our unions represent public and private sector workers who are on the front lines providing medical help and essential services during the crisis such as nurses and grocery store clerks. They also represent millions of workers, like flight attendants and construction workers, whose employers are struggling to remain solvent and who do not know whether they will have a job to go back to when the pandemic has subsided.

The AFL-CIO believes that the Federal Reserve and Treasury's actions to support the credit markets are necessary steps to mitigate the economic damage that will be caused by the stay-at-home orders in place throughout most of the country. In an April 9 press release, Chair Powell stated, "Our country's highest priority must be to address this public health crisis, providing care for the ill and limiting the further spread of the virus."[2] That release also stated that the programs are designed "to promote maximum employment," consistent with the Federal Reserve's mandate. [3] While we support these programs, we believe that adjustments are needed to ensure that the facilities achieve the stated goals.

[1] https://www.federalreserve.gov/newsevents/pressreleases/monetary20200409a.htm

[2] https://www.federalreserve.gov/newsevents/pressreleases/monetary20200409a.htm

[3] https://www.federalreserve.gov/newsevents/pressreleases/monetary20200409a.htm

Federal Reserve Programs Providing Direct Support to Corporate Borrowers

The Commercial Paper Funding Facility (CPFF), Primary Market Corporate Credit Facility (PMCCF), Main Street New Loan Facility (MSNLF), and Main Street Expanded Loan Facility (MSELF) provide direct support for new corporate borrowing. To some extent, the Term Asset-Backed Securities Loan Facility (TALF) will also support corporate borrowing. Eligibility for each of these programs depends on the issuer's size, pre-existing debt load and the structure of the offering. The key weakness with each of these facilities is that none of them condition receipt of government aid on the company's adherence to conditions that they will preserve employment, maintain workers' rights, and use the proceeds of the facilities to minimize the spread of the virus, conditions which are present throughout the CARES Act statute which authorized the Treasury Department to fund these facilities and conditions which ensure that the purpose of the CARES Act is actually fulfilled.

As a threshold matter we are concerned that the basic terms of the loans are contrary to the intention of Congress in appropriating funds to support these facilities. It appears that the terms have been set to result in the full recoupment of the $450 billion appropriation Congress made to Treasury in the CARES Act. This would defeat Congress' clear purpose in making that appropriation, which was to provide credit support to businesses damaged by the coronavirus and the economic shutdown necessary to fight the virus, and by doing so to preserve employment. While we appreciate the Fed's attempts to structure these programs to preserve taxpayer funds and earn interest on the loans, we are afraid that the interest rates charged for participants along with collateral requirements in these facilities will undermine the stimulative impact that could otherwise be achieved. We are concerned that the interest rates and collateral requirements reflect a reluctance to expend the funds Congress allocated to these programs through the Treasury Department. If these programs actually do not constitute a genuine credit subsidy in these conditions they are unlikely to meaningfully add to employment or prevent a downward macroeconomic spiral.

The term sheets for these facilities state that they are established in accordance with the authority provided to the Federal Reserve under Section 13(3) of the Federal Reserve Act. Beyond the statutory requirements that facilities must be broadly accessible and participants must be solvent, that section grants the Fed broad authority to establish the policies and procedures for access. It should use this authority to establish policies and procedures that will maximize achievement of the Federal Reserve's mandate to promote maximum employment and the top priority, as acknowledged by Chair Powell, to limit the spread of COVID-19.

Many of the appropriate principles for the conditions can be drawn from the CARES Act. These conditions include:

a. Retention of 90% of the workforce with full compensation and benefits;
b. Prohibition on dividends or stock buybacks;
c. No outsourcing or offshoring for two years after the loan is repaid;
d. Prohibition on abrogation of collective bargaining agreements for two years after loan is repaid; and
e. Neutrality in union organizing.[4]

In addition to the fact that the purpose of the CARES Act's authorization of Treasury Department support for the Federal Reserve's facilities was to preserve employment, and that the Federal Reserve's overall mandate is full employment consistent with price stability, there are likely severe post-crisis consequences of not having these requirements as part of the terms of the private sector facilities. Firms that do not give a high priority to retaining their work force during this downturn will lag in the recovery, as they will have to have more time to recruit and train workers. Those firms are more likely to fall behind on regaining lost market shares. In this environment that is a risk factor that should not be ignored.

In addition, there should be clear requirements on borrowers to take basic steps to prevent the spread of the virus in their workplaces, including but not limited to adopting rigorous health and safety practices, providing necessary personal protective equipment, and providing paid sick days to employees. As we have witnessed the need to shutter meat packing plants in South Dakota and Nebraska because too many workers were infected, there is a financial risk in lending to firms that do not practice necessary precautions to prevent the spread of the virus. It would not be prudent, at this time, to ignore these risk factors. In addition, the failure of firms to take appropriate steps to prevent the spread of the virus among employees and customers presents serious macroeconomic risks as it substantially increases the risk of prolonging the current economic shutdown or igniting future outbreaks of the coronavirus that would necessitate further shutdowns following an initial restart of the U.S. economy.

The Federal Reserve should also focus on deploying economic assistance to high-road businesses that adhere to family-supporting wages and benefits. Paying workers adequate wages will provide economic security for families and have an important multiplier effect for the broader economy as it will encourage consumer spending. In the construction industry, the Davis-Bacon federal law sets an important wage floor. Outside of construction, we believe that $15 per hour is the appropriate minimum wage. Wages can serve as a proxy for firm behavior where other ratings are not available.

[4] 4003(c)(3)(D)

Finally, the Fed should consider paying close attention to which entities actually employ workers and focus their lending activities on those companies, rather than providing subsidized credit to shell companies or highly leveraged passive investment vehicles.

All companies that receive financial support from the federal government during the crisis should be required to adhere to these conditions and the Fed and Treasury should work with the Special Inspector General for the CARES Act to ensure compliance throughout the relationship of the borrower with the Fed.

Specific Concerns Related to Access to CPFF by Utility Companies

The Federal Reserve's decisions in March to reopen the CPFF and clarify that it would extend purchases to Tier 2 issuers downgraded from Tier 1 after March 17 were positive steps in providing necessary short-term liquidity to American businesses.

Unfortunately, utilities are left out of the CPFF's scope because they are classified as Tier 2 issuers. Utilities are regulated entities and are prohibited from keeping the necessary cash on hand, in proportion to debt, that credit rating agencies demand in order to assign them a Tier 1 rating. We believe the Tier 2 ratings for utility companies are inappropriate given the likelihood of default.

The commercial paper (CP) market for Tier 2 issuers has encountered severe disruption in recent weeks, including declining liquidity and higher costs. These factors could have increasingly negative consequences for utilities' customers, employees, suppliers, and banks. For example, electric utilities use CP to fund working capital needs to support payrolls, suppliers and vendors, and critical infrastructure projects—the costs of which are typically collected from customers. In addition, with the continued challenges in the CP market, many Tier 2 issuers will need to draw down their bank revolving credit lines, which puts increased pressure on banks' balance sheets.

With this in mind, we recommend that the Federal Reserve have the CPFF purchases be extended to commercial paper rated at A2/P2/F2 by at least two of the major credit rating agencies and issued by companies in sectors designated as critical infrastructure under the Presidential Policy Directive on Critical Infrastructure Security and Resilience (PPD-21).

Federal Reserve Programs Providing Secondary Market Support

The Fed's Secondary Market Corporate Credit Facility (SMCCF) is designed to support the secondary market for corporate borrowing. We appreciate that the direct participants in this facility will not be the issuers but financial market intermediaries. Nonetheless, it is possible that through this facility the Federal Reserve will become a major owner of the outstanding debt of many large businesses. To the extent that, through secondary market purchases, the Fed comes into possession of 20% or more of the outstanding value of any issuance, we believe that the Fed should apply the same conditions on borrowers that are outlined above including those drawn from the CARES Act related to employee retention, workers' rights, and limitations on dividends, stock buybacks and executive compensation. In addition, the Fed should require companies to adopt rigorous health and safety practices, provide necessary personal protective equipment, provide paid sick days to employees, and pay a living wage or prevailing wages where applicable.

Federal Reserve Program Supporting State and Local Government Borrowing

The Municipal Liquidity Facility (MLF) will directly purchase up to $500 billion in newly-issued bonds from states, cities with one million or more residents, and counties with two million residents or more.[5] The AFL-CIO has been very concerned by turmoil in the municipal debt markets and we were pleased by the Fed's announcement that it was opening this facility to help provide additional short-term liquidity.

More than anything else, state and local governments need federal grants to compensate for an anticipated $750 billion total budget shortfall resulting from lost revenues and extra expenses incurred because of COVID-19. While the MLF may help provide state and local governments with access to short-term bridge loans to help mitigate the immediate impact of the delayed tax deadline, further improvements are necessary to maximize the utility of the program.

We believe the Fed should expand access to the MLF to all smaller cities and counties and other subordinate jurisdictions, and then apply appropriate risk based criteria for who can actually access the facility at any given time. The size requirements currently applicable mean that only 15 U.S. counties and 10 U.S. cities will be able to access the facility. Not only does this standard unnecessarily privilege larger metropolitan areas, but it also means that cities and counties with higher African American populations will not have access to the facilities.[6] While these consequences are likely unintended, they are also unacceptable and must be addressed by expanding access to the MLF.

The terms currently defined by the Fed provide that eligible notes will typically be issued in anticipation of near-term tax and other revenue and mature in no more than two years. While we do not believe this program should be used to support long-term borrowing to fund state and local government operations, in this extraordinary situation the Fed should be prepared to intervene in secondary markets for longer term state and municipal government securities should circumstances require that type of intervention. This should include terms that allow the Fed to

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[5] https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200409a3.pdf

[6] https://www.brookings.edu/research/a-chance-to-improve-the-equity-impact-of-the-feds-municipal-lending-facility/

help state and local governments restructure their debt to lower interest rates, reducing their debt burden.

The term sheet for the MLF released on April 9 also stated, generally, that pricing will be based on the issuer's rating and that the details are still being determined. State and municipal governments are on the front lines fighting COVID-19 and protecting the American people. They need to be able to dedicate as many of their resources as possible to the fight. They should not be forced to spend money on interest payments to the federal government that could be spent on essential items like respirators and personal protective equipment for essential personnel. As such, the Fed should not make any money on these loans. We encourage the Fed to charge interest at the Federal Funds Rate for these loans.

As we look ahead, the drop in revenues for state and local governments may lead to reductions in their bond ratings that will not reflect the long term credit worthiness of the issuers. So, a rise in interest rates at that time may well lead to the deferral of needed infrastructure until greater stability is achieved and state and local governments see their ratings increase. This deferral will weaken the strength of any recovery, since state and local infrastructure may be too delayed to help in the economy's rebound.

In the longer term, we urge the Board of Governors to give thought to how it can modify the MLF or design a new facility to support longer term state and municipal government investment in infrastructure. Infrastructure investment will be critical to a speedy recovery from the economic crisis brought on by the coronavirus, and is essential to making our economy more resilient in the face of possible recurring outbreaks. We urge the Board of Governors to think in a creative way about how to address this need consistent with overall Federal Reserve policy and practice.

Conclusion

We applaud the Federal Reserve for taking these extraordinary measures to mitigate the economic damage resulting from the COVID-19 pandemic. We believe that the improvements outlined above will help you to better achieve your goals of preserving employment and mitigating the spread of the virus.

Thank you for the opportunity to comment. If you have any questions or would like to discuss our views, please email me at wspriggs@aflcio.org.

Sincerely,

William E. Spriggs, PhD
Chief Economist

cc: Richard H. Clarida, Vice Chair
Randal K. Quarles, Vice Chair for Supervision
Michelle W. Bowman
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PATRICK MCHENRY, NC
RANKING MEMBER

April 16, 2020

The Honorable Jerome H. Powell
Chair
Board of Governors of the Federal Reserve System
20th Street & Constitution Avenue NW
Washington, D.C. 20551

Chair Powell:

In recent weeks, the Board of Governors of the Federal Reserve System (Federal Reserve or Fed) has announced sweeping measures to respond to the economic and financial fallout from the COVID-19 global health pandemic, including a series of facilities that extend support to nearly every sector of the economy. As the Federal Reserve undertakes implementation of programs and facilities authorized by the Coronavirus Aid, Relief and Economic Security Act (CARES Act), with the approval of the Secretary of the Treasury and utilizing funds appropriated by Congress, I urge you to consider and address the following concerns.

Municipal Liquidity Facility

States, territories, tribes, and cities are on the front lines responding to the COVID-19 public health emergency pandemic. This is why in the CARES Act, in addition to providing other forms of support,[1] Congress directed the Treasury Secretary to utilize the $500 billion of newly appropriated funds added to the Exchange Stabilization Fund and work with the Federal Reserve, "to seek the implementation of a program or facility in accordance with subsection (b)(4) that provides liquidity to the financial system that supports lending to States and municipalities."[2] While the newly announced Municipal Liquidity Facility appears intended to fulfill this obligation, there are glaring omissions and shortcomings that should be promptly addressed.

Importantly, Congress included all U.S. territories in this provision,[3] any Indian Tribe,[4] as well as bi-State and multi-State entities.[5] Unfortunately, the initial design of the Municipal Liquidity Facility completely excludes territories and tribes, and is limited to a single issuer at the State, county, or city level. With respect to the exclusion of territories, these jurisdictions include millions of Americans that have been equally confronted by this crisis with more than a thousand COVID-19 cases and dozens of deaths, according to the Centers for Disease Control and Prevention (CDC).[6] Although the CARES Act sought to support states and localities through $150 billion in

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[1] For example, the creation of the Coronavirus Relief Fund as authorized by §5001 of the CARES Act
[2] §4003(c)(3)(E) of the CARES Act
[3] §4002(10)(C) of the CARES Act
[4] §4002(10)(E) of the CARES Act
[5] §4002(10)(D) of the CARES Act
[6] CDC, "Cases in U.S.," (last accessed Apr. 15, 2020), https://www.cdc.gov/coronavirus/2019-ncov/cases-updates/cases-in-us.html; and CDC, "Morbidity and Mortality Weekly Report," (Apr. 10, 2020), https://www.cdc.gov/mmwr/volumes/69/wr/pdfs/mm6915e4-H.pdf.

grants, estimates of how this money will be distributed show that territories are likely to lag significantly behind. There have been too many occasions where federal policymakers have excluded or provided fewer benefits and support for territories, including Guam and American Samoa, and those decisions can have significant impacts on Americans who live in the territories, such as limiting cancer treatment or other health care options.[7] In the instance of Puerto Rico, Congress has found that these kind of policy disparities and lack of support, in recent years, meaningfully contributed to the territory's fiscal challenges.[8] Territories should not be excluded from this Fed facility to help ensure they have access to the resources they need at this critical time.

Furthermore, Congress made no distinction regarding the size of a municipality that should directly benefit from such a program.[9] Unfortunately, only the largest cities with more than one million residents and the largest counties with more than two million residents would be eligible under the Fed facility for direct support. Most other cities – including Atlanta, Boston, Baltimore, Columbus, and Detroit – and counties would have to seek indirect support from their State. This approach risks exacerbating racial disparities in the federal government's response to COVID-19. A recent analysis noted the program's exclusion of the thirty-five most heavily African-American cities in the country, and found that: "For every ten percent more Black the city's population, it is ten percent less likely to qualify for the Fed's program."[10]

Moreover, this facility would support only new debt issuances with maturity dates less than 2 years, but the municipal bond market has experienced significant disruption in recent weeks.[11] Support for secondary market borrowing would help provide liquidity and arguably help the issuers that are unable to go directly to the Fed because of the Fed's proposed population thresholds. In addition, an economic projection estimated that states will face budget shortfalls of $500 billion between now and 2022, and that state rainy day funds will be insufficient to close

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[7] Selena Simmons-Duffin, "America's 'Shame': Medicaid Funding Slashed In U.S. Territories," National Public Radio Morning Edition (Nov. 20, 2019), https://www.npr.org/sections/health-shots/2019/11/20/780452645/americas-shame-medicaid-funding-slashed-in-u-s-territories. Also see Judith Solomon, "Medicaid Funding Cliff Approaching for U.S. Territories," Center on Budget and Policy Priorities (Jun. 19, 2020), https://www.cbpp.org/blog/medicaid-funding-cliff-approaching-for-us-territories.

[8] Congressional Task Force on Economic Growth in Puerto Rico (Dec. 20, 2016), https://www.finance.senate.gov/imo/media/doc/Bipartisan%20Congressional%20Task%20Force%20on%20Economic%20Growth%20in%20Puerto%20Rico%20Releases%20Final%20Report.pdf , page 19 ("While it would be wrong to attribute Puerto Rico's annual deficits and accumulated debt solely, or even mainly, to the disproportionate burden it bears in financing its Medicaid program, it would also be wrong to deny that this funding disparity has been a meaningful factor contributing to Puerto Rico's fiscal condition.")

[9] §4002(7) of the CARES Act defines "municipality" as "a political subdivision of a State, and an instrumentality of a municipality, a State, or a political subdivision of a State." Neither this definition, nor §4003(c)(3)(E) states or implies that a Federal Reserve liquidity facility should be available only to the largest municipalities.

[10] "Improving the equity impact of the Fed's municipal lending facility," *Brookings Institution*, (April 14, 2020), https://www.brookings.edu/research/a-chance-to-improve-the-equity-impact-of-the-feds-municipal-lending-facility/

[11] "Unprecedented conditions stagger municipal market," *BondBuyer* (March 12, 2020), https://www.bondbuyer.com/news/unprecedented-conditions-stagger-municipal-market

such significant shortfalls.[12] Even if tax revenues return to normal levels by 2022, states and cities will have to fund general operations at the same time that they are paying back significant shortfalls, which could prolong the effects of an economic recession.

The Federal Reserve's narrow design of the Municipal Liquidity Facility is inconsistent with the letter and spirit of the law. The facility can be immediately improved by, among other things, including territories and dramatically lowering if not eliminating the arbitrary thresholds set for eligible municipalities. These improvements would make it easier for these jurisdictions to meet new and unanticipated costs arising from overwhelmed health care systems and negative economic developments.

Main Street Lending Program

The CARES Act directed the Treasury Secretary to seek the establishment of a facility like the Main Street Lending Program. Specifically, the law stated such a program or facility should provide, "financing to banks and other lenders that make direct loans to eligible businesses including, to the extent practicable, nonprofit organizations, with between 500 and 10,000 employees...."[13] While there are elements of the Main Street Lending Program that include these and related provisions, including deferring principal and interest payments for one year and attestation requirements that the borrower will abide by stock buyback, dividend payment, and executive compensation restrictions, there are a number of shortcomings with the initial design of the program. It is imperative that these concerns be addressed to ensure this is a more effective facility that meets the needs of small and diverse entities that require immediate financial support.

For example, even though the CARES Act explicitly references non-profit organizations, the current design of the Main Street Lending Program excludes non-profit organizations, including charitable non-profits, such as churches, as well as institutions of higher education, like Historically Black Colleges and Universities (HBCUs). These institutions should not be left behind and may warrant a segmented and less costly loan program to meet their needs consistent with their mission. Furthermore, some of the terms of the program, such as a minimum loan size of $1 million, may skew the program toward larger entities and should be revised to have more of an emphasis on small and minority-owned businesses that may have trouble accessing credit. Relatedly, I urge you to allow ratings from smaller agencies often used by small and minority-owned businesses, not just the big three credit rating agencies. In addition, while the program requires the borrower to attest "that it requires financing due to the exigent circumstances presented by the coronavirus disease 2019 ("COVID-19") pandemic," the Federal Reserve should strengthen this requirement to not open the door to larger entities that have ample access to liquidity and capital.

The Federal Reserve should also ensure that all types of lenders that small businesses use, not just depository institutions, are able to fully participate as lenders in this facility, including certified Community Development Financial Institutions (CDFIs). Moreover, the Federal Reserve should

[12] "States Need Significantly More Fiscal Relief to Slow the Emerging Deep Recession," *Center on Budget and Policy Priorities*, (April 14, 2020), https://www.cbpp.org/research/state-budget-and-tax/states-need-significantly-more-fiscal-relief-to-slow-the-emerging-deep

[13] §4003(c)(3)(D)(i) of the CARES Act

prioritize the inclusion of community banks, credit unions, and minority depository institutions (MDIs), along with CDFIs, to ensure this program reaches a wider range of businesses, especially minority-owned businesses, who want to work with their preferred lender.

Paycheck Protection Program Liquidity Facility
The Federal Reserve recently launched the Paycheck Protection Program (PPP) Liquidity Facility for depository institutions that are making forgivable PPP loans that are guaranteed by the Small Business Administration (SBA). As Congress works to ensure all community-based lenders—including community banks, credit unions, MDIs, CDFIs, certified development corporations, (CDCs) and microlenders —have a meaningful opportunity to participate as PPP lenders to quickly provide resources to small and minority-owned businesses in their communities, I also urge the Federal Reserve to promptly expand the PPP Liquidity Facility to ensure all PPP lenders, not just banks, can access this facility to support small business lending.

Primary Market Corporate Credit Facility
On March 23, the Fed announced unprecedented new support for corporate bond markets through the Primary Market Corporate Credit Facility (PMCCF). Although the PMCCF was not created by Congress, the Fed's expansion of the PMCCF on April 9 utilized funds authorized by Congress in the CARES Act. Specifically, the CARES Act requires eligible businesses receiving assistance in the form of direct loans through a Federal Reserve facility to comply with restrictions on stock buybacks, dividend payments, and executive compensation.[14] On April 9, the Fed announced it would increase the size and scope of the PMCCF through a $50 billion equity investment from the Treasury. On April 9, the Fed announced it would increase the size and scope of the PMCCF through a $50 billion equity investment from the Treasury, which used funds authorized by Section 4003(d) of the CARES Act. This facility, which according to the term sheet is purchasing "eligible corporate bonds as the sole investor in a bond issuance," is effectively providing direct loans to eligible businesses, requiring that the CARES Act's conditions on such loans apply to all businesses receiving support through the PMCCF. If the Federal Reserve's view is that the law's restrictions do not automatically apply, I would urge you to exercise the discretion you have to apply the restrictions as a condition of the purchase, consistent with the purpose of the Act. Relatedly, I urge the Fed to use its authority to impose conditions that protect existing collective bargaining agreements and require eligible businesses to guarantee workers full paid leave, worker representation on corporate boards, and a $15 minimum wage.

Nationally Recognized Statistical Rating Organization Eligibility Requirements
In order to access the PMCCF, Secondary Market Corporate Credit Facility (SMCCF), and the Commercial Paper Funding Facility, the Federal Reserve requires applicant companies to have achieved an investment-grade rating from a "major" nationally recognized statistical rating organization (NRSRO). Because it has not publicly defined what constitutes a "major" NRSRO, I am concerned that the Federal Reserve will only approve applications from companies with ratings from the three largest NRSROs and thereby excluding many small companies and community banks with investment-grade ratings from other NRSROs from accessing these critical facilities when they would have otherwise been eligible. This would disproportionately affect minority-

[14] §4003(c)(3)(A)(ii) of the CARES Act

owned companies and would prevent a large portion of our nation's small business from accessing this important relief when they need it the most. Every NRSRO is required to go through the same certification process with the Securities and Exchange Commission and is subject to the same regulatory standards and compliance requirements. I urge the Federal Reserve to clarify its term sheets and to remove unnecessary roadblocks to this critical relief by providing access to these lending facilities to applicants that have achieved the necessary investment ratings from other NRSROs.

In closing, I urge the Federal Reserve to address these issues as quickly as possible. I look forward to your written response by April 24, 2020 to provide an update on how these matters are being addressed.

Sincerely,

Maxine Waters

MAXINE WATERS
Chairwoman

CC: The Honorable Steven T. Mnuchin, Secretary, U.S. Department of the Treasury

DFW

May 7, 2020

The Honorable Jerome Powell
Chairman
Board of Governors of the Federal Reserve System
Constitution Avenue, NW and 20th Street, NW
Washington, D.C. 20551

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

The Honorable Randal Quarles
Vice Chairman
Board of Governors of the Federal Reserve System
Constitution Avenue, NW and 20th Street, NW
Washington, D.C. 20551

The Honorable Justin Muzinich
Deputy Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

It is our understanding at DFW Airport that the Federal Reserve (Fed) is limiting access to the municipal liquidity facility (MLF) to issuers who use ratings from three of the four rating agencies that actively provide ratings in the municipal market.

At DFW, we select a credit rating agency based on the depth and quality of their research and have chosen to use Kroll Bond Rating Agency to rate our debt. KBRA, is a well-established and growing agency that rates nearly 10% of the outstanding debt in the municipal market, including some of the largest and most complex issuers like DFW. It does not make sense to us why the Fed has excluded KBRA from the program. I would appreciate your support in changing this language to permit ratings from any credit rating agency that is approved by the SEC to rate municipal debt.

State and local government agencies are experiencing significant strain during the current COVID crisis. We appreciate the federal government response thus far, including the establishment of a municipal facility by the Fed, and would be happy to discuss this at your convenience.

Sincerely,

Christopher A. Poinsatte
Executive Vice President and Chief Financial Officer
Dallas Fort Worth International Airport

cc: The Honorable John Cornyn, United States Senator, 517 Hart Senate Office Building
The Honorable Ted Cruz, United States Senator, 127 Russell Senate Office Building

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April 13, 2020

Mr. Jerome H. Powell
Chairman, Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, DC 20551

Re: U.S. Territory of Guam's Participation in the Municipal Liquidity Facility Program

Dear Chairman Powell,

I write to you with urgency regarding the U.S. Territory of Guam's eligibility and participation in the Municipal Liquidity Facility (MLF) Program recently announced on April 9, 2020 by the U.S. Department of the Treasury (U.S. Treasury)[1] and the Board of Governors of the Federal Reserve System (Federal Reserve) pursuant to authority under Section 13(3) of the Federal Reserve Act.

In that April 9th press release, it stated that the U.S. Treasury will make a $35 billion equity investment in the MLF, which will provide up to $500 billion in direct financing to states, counties, and cities to help ensure such jurisdictions have the funds necessary to provide essential services to citizens and respond to the 2019 Novel Coronavirus (COVID-19) pandemic. Additionally, the press release stated that the MLF will provide funds to help offset the delay in state and local tax receipts caused by the deferral of the tax filing deadline, and to help offset any short term losses in tax revenues resulting from reduced business and consumer activity due to the COVID-19 pandemic.

It is my understanding that the U.S. Territory of Guam was determined not to be eligible at this time. This is apparent in the Federal Reserve's April 9th release[2] where it states that the MLF will purchase up to $500 billion of short term notes directly from U.S. states (including the District of Columbia), U.S. counties with a population of at least two million residents, and U.S. cities with a population of at least one million residents. In this press release, the U.S. Territory of Guam does not appear to be listed, despite the Coronavirus Aid, Relief, and Economic Security (CARES) Act listing U.S. Territories under the definition of State. Additionally, in the MLF Term Sheet[3] released, it further identifies only the U.S. States and the District of Columbia, U.S. cities, and U.S. counties as eligible under this program, also excluding the mention of the U.S. Territories, including Guam.

[1] See *Press Release: Treasury and Federal Reserve Board Announce New and Expanded Lending Programs to Provide up to $2.3 Trillion in Financing dated April 9, 2020.* https://home.treasury.gov/news/press-releases/sm968.
[2] See *Press Release: Federal Reserve takes additional actions to provide up to $2.3 trillion in loans to support the economy dated April 9, 2020.* https://www.federalreserve.gov/newsevents/pressreleases/monetary20200409a.htm
[3] See *Municipal Liquidity Facility Term Sheet, dated April 9, 2020.* https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200409a3.pdf

As you may already be aware, Subtitle A, Title IV, Division A of the CARES Act—the Coronavirus Economic Stabilization Act of 2020—authorizes the Secretary of the Treasury to make loans, loan guarantees, and other investments in support of eligible businesses, States, and municipalities that do not, in the aggregate, exceed $500 billion. Under Section 4002(10)(C) defines the term "State" for the entire Subtitle A as "any of the territories and possessions of the United States." This clear definition of State includes the U.S. Territory of Guam for the purposes of any program or facility created.

Furthermore, Section 4003(b)(4) allocates $454 billion of the $500 billion previously mentioned, to make loans and loan guarantees to, and other investments in, programs or facilities established by the Board of Governors of the Federal Reserve System for the purpose of providing liquidity to the financial system that supports lending to eligible businesses, States, or municipalities. Section 4003(c)(3)(E) also states that the Secretary of the Treasury shall endeavor to seek the implementation of a program or facility that provides liquidity to the financial system that supports lending to States and municipalities.

Guam's Dire Need and Strategic Importance

It is my understanding that the April 9th announcements via press release by the U.S. Treasury and the Federal Reserve serve to achieve the goals of the CARES Act and the specific sections identified above. I am humbly requesting your assistance to include Guam in the MLF Program as Guam has not only been severely impacted by the COVID-19 pandemic due to our heavy reliance on the tourism and travel industry, but also has strategic importance to our nation's defense in the Pacific region.

As you may have read in recent national news, Guam played a pivotal role in the continuing story of the U.S.S. Theodore Roosevelt and its sailors who have tested positive for COVID-19. As Governor of Guam, the U.S. Navy requested assistance in housing certain sailors who tested negative and Guam answered that call by coordinating and allowing thousands of sailors to utilize local hotel and accommodation facilities off-base, while the U.S. Navy continues to deal with the COVID-19 impact on its operations.

Guam's economy is heavily reliant on the tourism industry—accounting for 20% of our Gross Domestic Product. Nearly 88% of Guam's visitors come from South Korea (45.6%) and Japan (42.4%)—both of which have seen double-digit percentage declines due to the necessary actions taken by the government of Guam and those countries to stop the spread of the COVID-19. Additionally, approximately 25,000 jobs or 42% of the total employment on Guam is in the accommodation and food services and retail trade sectors--representing nearly $500 million in annual wages. Guam is expecting a near 45% decrease in visitor arrivals as compared to the projected numbers at the beginning of Fiscal Year 2020.

I explain the importance of this singular industry, as it illustrates the dire economic circumstances Guam faces and the need for participation in programs such as the MLF to ensure Guam is provided the cash flow assistance that is provided to other states, counties, and cities.

The government of Guam will also be facing cash flow issues as it relates to the extension of the tax filing and payment deadline. The Organic Act of Guam[4] states that the income tax laws in force in the U.S. shall be held to be likewise in force in Guam and shall be known as the Guam Territorial Income Tax. This "mirror code" language provides that income taxes collected on Guam stay on Guam and are collected by the government's Department of Revenue and Taxation. Therefore, the extension of the tax filing and payment due date has a direct impact on the government of Guam's cash flow.

Suggestion for MLF Allocation to U.S. Territories

The government of Guam does not have any county or city and is a singular government that may not present any of the complications that may arise through the implementation of the MLF in other states. States may have to act as lenders to their counties and cities, which may present further problems. If I may suggest that a portion of the $454 billion be allocated to the U.S. Territories, possibly to those that may have recently issued General Obligation debt within the past year as an indicator of creditworthiness. Such allocation may be up to the limit specified in the MLF Term Sheet, which is 20% of the general revenue. This amount may be as much as $200 million for the government of Guam, but only represents 0.044% of the $454 billion identified under Section 4003(b)(4) of the CARES Act.

Although the amount is a fraction of the total available, to Guam it means much more to an island economy that has been greatly impacted by the COVID-19 pandemic and the necessary decisions made to address the pandemic. Having up to $200 million in available cash flow would mean the loss in economic activity and reduction can be absorbed by the local government toward ensuring the essential government services can be provided to the thousands of people on our island during this time of need.

With much respect, I humbly request your assistance to allow the U.S. Territory of Guam to take part in with MLF Program. I hope I have provided you with enough justification to convince you of Guam's importance to the United States and its extreme need due to our reliance on the tourism and travel industries. I thank you for your kind attention to this matter and look forward to your favorable response.

Senseremente,

Lou Leon Guerrero

LOURDES A. LEON GUERRERO
Maga'hågan Guåhan
Governor of Guam

cc via email: *Sigundo Maga'låhen Guåhan*

[4] See *Section 1421i of the Organic Act of Guam.* https://uscode.house.gov/view.xhtml?path=/prelim@title48/chapter8A&edition=prelim

National Urban League | Empowering Communities. Changing Lives.

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April 13, 2020

Honorable Jerome Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Honorable Steven T. Mnuchin
Secretary U.S. Department of the Treasury
1500 Pennsylvania Avenue N.W.
Washington, D.C. 20220

Dear Chairman Powell and Secretary Mnuchin:

The novel coronavirus pandemic is generating massive, unprecedented economic disruption for families and businesses throughout the country, in some ways worse than what we experienced during the Great Depression. As part of the CARES Act, Congress created a $150 billion Coronavirus Relief Fund reserved for State, Local, and Tribal governments to cover costs incurred because of COVID-19 between March 1, 2020 and December 30, 2020 that were not accounted for in the entity's most recent budget. In some states, a portion of the funding will go to local governments serving populations over 500,000.

Last week, the Federal Reserve announced additional actions "using its full range of authorities to provide powerful support for the flow of credit in the economy." To provide access to liquidity for certain states and municipalities as part of its response to address the negative economic effect of the pandemic, the Fed established a Municipal Liquidity Facility (MLF) that will offer up to $500 billion in lending to states, as well as cities with over 1 million residents and counties with over 2 million residents. Under this program, the Treasury Department will provide $35 billion in equity investments pursuant to the CARES Act as credit protection for the MLF.

It is regrettable that Congress drew the local eligibility line at 500,000. Worse still is that Treasury interpreted Section 5001 of the statute to combine and limit direct access and/or allocation for eligible counties with cities also above 500,000 population. This interpretation rendered cities with significant African-American and minority populations ineligible for direct funding, including Charlotte-Mecklenburg County, NC, Memphis-Shelby County, TN, Austin-Travis County, TX, and Milwaukee-Milwaukee County, WI.

Under the MLF eligibility population lines drawn by the Fed and Treasury, our calculation shows Memphis-Shelby County and Charlotte-Mecklenburg County are excluded again, as are Atlanta-Fulton County, GA, Baltimore-Baltimore County, MD, Charlotte, New Orleans MSA, LA, and Detroit-Wayne County, MI.

Given the debilitating impacts these jurisdictions are experiencing with COVID-19, the Fed and Treasury should not compound Congress's error by creating an even smaller group of cities that can access the MLF. I respectfully request that the MLF borrowing threshold be lowered to local governments with a population of at least 100,000 residents. These smaller cities typically have a more narrow economic base than larger areas, have weaker infrastructure, and grossly inadequate health care facilities. Also, such communities lagged in recovering from the impact of the Great Recession. They are desperately in need of liquidity to help cope with the broad economic disruption imposed by COVID-19.

By expanding eligibility for participation in the MLF to local governments with 100,000 persons or more, staff can conduct an analysis of the impact of the pandemic on smaller cities. Such a review will improve the effectiveness and efficiency of federal monetary policy.

Thank you for your consideration of this request.

With warmest regards,

Marc H. Morial
President and CEO
National Urban League

cc: The Honorable Mike Crapo, Chair
U.S. Senate Committee on Banking, Housing, and Urban Affairs

The Honorable Sherrod Brown, Ranking Member
U.S. Senate Committee on Banking, Housing, and Urban Affairs

The Honorable Maxine Waters, Chair
U.S. House Committee on Financial Services

The Honorable Patrick McHenry, Ranking Member
U.S. House Committee on Financial Services

The Honorable Karen Bass, Chair,
Congressional Black Caucus

EMANUEL CLEAVER, II

FINANCIAL SERVICES COMMITTEE
NATIONAL SECURITY, INTERNATIONAL DEVELOPMENT, AND MONETARY POLICY SUBCOMMITTEE
CHAIRMAN

HOUSING, COMMUNITY DEVELOPMENT, AND INSURANCE SUBCOMMITTEE

Congress of the United States
House of Representatives

FIFTH DISTRICT, MISSOURI

HOMELAND SECURITY COMMITTEE

SELECT COMMITTEE ON THE MODERNIZATION OF CONGRESS

HTTPS://CLEAVER.HOUSE.GOV

April 17, 2020

Jerome Powell
Chairman
Federal Reserve Board of Governors
20th Street and Constitution Avenue N.W.,
Washington, DC 20551

Dear Chairman Powell,

I write to request the Federal Reserve Board adjust the population thresholds for your municipal facility, and broaden existing facilities to better serve religious institutions, nonprofits and very small, less-formalized businesses who are in desperate need of liquidity during this unprecedented crisis.

As chair of the Financial Services Subcommittee on Monetary Policy I would like to commend the Federal Reserve on its effort to design financial facilities to meet the needs of Americans suffering under the weight of the coronavirus financial crisis. Among the facilities created were the municipal facility, which set a one million population threshold on cities and two million for counties—locking out a large number of municipalities beset by the COVID-19 crisis. An April 14th Brookings report titled "Improving the equity impact of the Fed's Municipal Lending Facility" noted that this facility, perhaps unintendedly, presented a disparate harm to minority communities and locked out a number of cities within states entirely. My home state of Missouri was among those that did not meet any metropolitan thresholds within the entire state, along with Ohio, New Jersey, and Georgia. As the ~~same~~ Brookings report notes, local constraints may impinge upon municipalities' ability to use their state government as an intermediary to access this facility. The National League of Cities surveyed over 2,400 local officials and found that three-fourths of large municipalities that responded to the survey are planning to cut public services. Almost half of communities with more than 500,000 residents say they will have to lay off employees. This will expand the pain felt into previously insulated segments of our economy. To that end, I urge the Federal Reserve to lower the population threshold to 20,000 for counties and 10,000 for cities so that a larger share of municipalities in crisis now may have access to this facility.

As you are well aware, religious institutions and other nonprofit organizations are among those on the front lines protecting the most vulnerable segments of our communities—offering aid and comfort to all ~~of our countrymen~~ during this time of crisis. Religious institutions and other nonprofits make up approximately 10 percent of our gross domestic product (GDP) and employ approximately 12 million workers. They are a vital component of the American economy and my home district. During the Financial Crisis of 2008, according to reporting from the National Council of Nonprofits and Nonprofit Financial Fraud, religious institutions and other nonprofits saw an increased demand for services accompanied with escalating operating costs and decreasing revenues. My office is seeing even greater waves of strain on these frontline public servants—particularly small and midsized nonprofit institutions. I request that the Federal Reserve adjust existing programs to allow access to a highly concessionary facility to these nonprofit's doing this important work for all our communities.

I would also like to bring to the Board's attention that there are a number of small businesses within urban and rural areas that do not have regular or consistent banking relationships. Many of these small businesses are centered in communities under strain due to limited resources or their remote nature. For those small businesses that are falling in the gaps of the existing crisis lending programs and facilities—like barbershops, , stores and taverns—I request that the Federal Reserve develop a new facility or adjust existing facilities to allow access for the less formalized and more vulnerable segments of communities. An instrument that may help better formalize them and offer them needed access to capital.

Thank you for your attention to this matter.

Sincerely,

Emanuel Cleaver, II
Member of Congress

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NATURAL RESOURCES
SUBCOMMITTEES
WATER, OCEANS AND WILDLIFE
OVERSIGHT AND INVESTIGATIONS

April 14, 2020

Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Dear Chairman Powell:

I appreciate the swift action taken by the Department of the Treasury (the Department) and the Board of Governors of the Federal Reserve System (the Federal Reserve) to assist in the federal response to address the economic challenges posed by COVID-19 to our nation. I write to express my concern regarding the terms of the Municipal Liquidity Facility to be offered by the Federal Reserve, as announced on April 9, 2020.

According to the term sheet published in the Federal Reserve's website, this facility "will support lending to U.S. states and the District of Columbia (together, "States"), U.S. cities with a population exceeding one million residents ("Cities"), and U.S. counties with a population exceeding two million residents ("Counties")… to help manage the cash flow impact of income tax deferrals resulting from an extension of an income tax filing deadline; potential reductions of tax and other revenues or increases in expenses related to or resulting from the COVID-19 pandemic; and requirements for the payment of principal and interest on obligations of the relevant State, City, or County."[1] This facility will be guaranteed by the Department with funds appropriated in the CARES Act (P.L. 116-136).

Section 4003 (3)(c)(E) of the Coronavirus Economic Stabilization Act of 2020,[2] directs the Secretary of the Treasury "to seek the implementation of a program or facility in accordance with subsection (b)(4) that provides liquidity to the financial system that supports lending to States and municipalities." For purposes of the aforementioned, the term "State" is defined to include "any of the territories and possessions of the United States".[3]

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[1] Term Sheet dated April 9, 2020 (internal footnotes omitted). Available at https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200409a3.pdf.
[2] P.L. 116-136, Title IV, Subtitle A.
[3] P.L. 116-136, §4002(10)(C).

Although the intent of the law as defined under the CARES Act is to include territories and possessions along with D.C. and the States for the purposes of the loans, the language of the Federal Reserve's news release and term sheet referring only to States and D.C. is extremely concerning. Therefore, I ask that you correct this situation immediately, in order to comply with the express legislative intent in providing for this appropriation. The economies of the U.S. territories and possessions are no less affected by the COVID-19 public health emergency than the economies of the States or of the District of Columbia.

Thank you for your attention to this urgent matter.

Sincerely,

Jenniffer A. González-Colón
Member of Congress

Cc: The Honorable Wanda Vázquez-Garced, Governor of Puerto Rico
Mr. Omar Marrero, Executive Director, Puerto Rico Fiscal Agency & Financial Advisory Authority

BRIAN HIGGINS
26TH DISTRICT, NEW YORK

COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HEALTH
SUBCOMMITTEE ON TRADE
SUBCOMMITTEE ON SOCIAL SECURITY

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April 15, 2020

The Honorable Jerome Powell
Chairman
Board of Governors of the Federal Reserve System
Twentieth Street and Constitution Avenue, NW
Washington, DC 20551

Dear Chairman Powell,

Thank you for your leadership during this unprecedented time of instability in our country.

Based on the substantial concerns raised by officials governing county governments, as well as governmental entities on the, city, town, village and school district levels, I write to urge you to lower the population threshold on eligibility of local governments for the recently established Municipal Liquidity Facility. The COVID-19 pandemic has placed a significant strain on government, necessitating a comprehensive response

Local governments have been at the frontlines of responding to coronavirus in our communities. Municipalities are at the center of emergency management. They are marshalling resources, supporting first responders, coordinating with hospitals and health care organizations, and shoring up their safety nets for the most vulnerable populations. These efforts, while necessary, are having negative budgetary consequences. County executives, mayors, supervisors, and administrators are facing the possibility of reducing critical services for their residents in order to make up the budget shortfall.

The Municipal Lending Facility was designed to help state and local governments better manage cash flow pressures as a result of the toll COVID-19 has taken on government resources. It is our understanding that the facility, as currently designed by the Fed, is limited to only states, counties with a population of at least two million residents, and cities with a population of at least one million residents. In many states, not a single city would meet this threshold. In New York, only New York City would qualify to apply directly to the lending facility. Although the Federal Reserve has made an accommodation for States to provide liquidity for political subdivisions that are currently ineligible, it is not enough.

BRIAN HIGGINS
26TH DISTRICT, NEW YORK

COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HEALTH
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It is critical for municipalities to have direct access to resources to provide the assistance needed to support their efforts in this unprecedented pandemic. Local governments are facing an environment with increasingly less revenue and mounting expenses. I implore you to reconsider the threshold and provide more flexibility in the Municipal Lending Facility.

Sincerely,

BRIAN HIGGINS
Member of Congress

BILL PASCRELL, JR.
9TH DISTRICT, NEW JERSEY

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Congress of the United States
House of Representatives

COMMITTEE ON WAYS AND MEANS
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DEMOCRATIC STEERING AND POLICY COMMITTEE

April 17, 2020

The Hon. Jerome Powell, Chairman
Federal Reserve
20th Street and Constitution Ave NW
Washington, D.C. 20551

Dear Chairman Powell:

On April 6 I wrote to you urging the Federal Reserve to use its authority under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and Section 14(2)(b) of the Federal Reserve charter to begin buying up municipal debt to give flexibility to states expending enormous resources to survive this pandemic.[i] Your announcement on April 9 to establish a Municipal Liquidity Facility (MLF) to commence the purchase of the debt of states and large cities is a good first step that will do much good. But the Federal Reserve must go further.

The insidiousness of this virus is that it is not impacting select segments of our country: all places, large and small both, are under threat and under siege. Yet, despite this equality of danger, and while all 50 states can participate in it, the Federal Reserve's MLF program only allows cities with at least one million residents and counties with at least two million residents to apply for relief. Under Census estimates, that would render just 10 cities and approximately 45 counties eligible for help. This is insufficient.

For example, as of April 16, my hometown Paterson, New Jersey, the third largest city in the Garden State with a population of approximately 145,627,[ii] has passed 2,700 COVID-19 infections, and my district's county Bergen, with a population of 932,202[iii] has crossed the threshold of 11,000 infections, the tenth most in the nation.[iv] Under the Federal Reserve's MLF program, neither are permitted to seek relief to help shoulder their debts incurred. Indeed, the tristate area is by far the region of America most impacted by this pandemic, but under the Federal Reserve's announced rules, only two cities in the Eastern Time Zone, which itself represents half of the United States population, will be eligible.

If the Federal Reserve is operating under the assumption that states applying to MLF can help their own counties and cities, that assumption badly underestimates the political divides that exist between local governments and their umbrella states across our nation. The current structure of the MLF excludes regions of America badly impacted by the pandemic and leaves their local governments more vulnerable, including, perilously, all of the top 35 most populous African American cities in the nation.[v]

Furthermore, I was struck by the Federal Reserve's announcement invoking Section 13(3) of its charter to construct the MLF and not Section 14(2)(b), which specifically grants the Federal Reserve the power to buy up municipal debt issued by governments at the state and local levels. The scope of this crisis is unprecedented and will require even more support from the Federal Reserve than your announcement of April 9 offers. I encourage the Federal Reserve not to be deterred by precedent-setting issues because of the unique nature of this crisis and invoke its authority granted under Section 14(2)(b).

Section 14(2)(b) should be invoked so the Federal Reserve can purchase all existing municipal debt incurred because of this crisis. This course will allow state and local governments across the country to focus on the current fight against COVID-19. Consequently, the $500 billion cap, while a good start, must be just that – a start. As individual incomes and business revenues collapse, financing needs of state and local governments will come under increasing pressure. These municipalities will need the ability to manage the shortfalls of the moment while refinancing longer maturity debts under difficult or even unattainable terms. It is a false choice to make these governments balance decisions to fight the virus and its impacts now against fears of making harsh reductions to services that Americans rely on in their daily lives later.[vi] Consequently, a $500 billion cap is too small and must be raised to meet these challenges.

The Federal Reserve must not make the same mistakes of complacency that plagued the recovery from the Great Recession of 2008. If adequate steps are not taken, the cosmic costs imposed on our state, city, and local governments by COVID-19 may take tolls on essential services that will take years to undo and make ensuing recession even more protracted and painful than that which followed 2008. So far you have taken poised and decisive action that will help keep our economy afloat. I implore the Federal Reserve to expand its MLF program to allow more impacted communities to participate. Thank you for your prompt attention to this matter.

Sincerely,

Bill Pascrell Jr

Bill Pascrell, Jr.
Member of Congress

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[i] https://pascrell.house.gov/news/documentsingle.aspx?DocumentID=4232
[ii] https://www.census.gov/quickfacts/patersoncitynewjersey
[iii] https://www.census.gov/quickfacts/bergencountynewjersey
[iv] See https://coronavirus.jhu.edu/us-map
[v] See https://twitter.com/Aarondklein/status/1248424588905594882
[vi] See https://nathantankus.substack.com/p/stanch-the-bleeding-from-local-and

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Congress of the United States
House of Representatives

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April 16, 2020

The Honorable Jerome Powell
Chairman
Board of Governors of Federal Reserve System
20th Street and Constitution Avenue NW
Washington, D.C. 20551

Dear Chairman Powell,

I write to provide comments and suggestions on the recently established Main Street Loan Facility and the Municipal Liquidity Facility. During the COVID-19 crisis, the Federal Reserve has taken extraordinary actions addressing economic stabilization. I appreciate your focus on providing relief for mid-sized businesses and state and local governments through these recently announced facilities. As you finalize the implementation of these programs, I believe certain improvements could be made to maximize their effectiveness.

Main Street Loan Facility

- Make non-profits, non-profit private and public higher education institutions eligible.
- Set the interest rate at 2 percent.
- Use the Facility to support businesses not only during the immediate crisis, but also while they restart operations over the coming months.

Many larger nonprofits are critical to supporting the most vulnerable populations during the crisis and are struggling to fundraise. Additionally, Colorado universities and colleges could lose up to $174 million in just room and board revenue, creating a significant budget shortfall for higher education institutions.[1] Making these institutions eligible for the Main Street Lending Program could help prevent them from making drastic cuts or staff reductions. Furthermore, keeping the interest rate on the loans low, and providing access to operating capital while businesses are restarting operations as our communities ease and lift the stay at home orders will be critical for our successful economic recovery. Many businesses have been forced to shut their doors and will need significant capital to prepare their business for reopening before they have any revenue. Additionally, many communities will see a phased reopening with uncertain demand for services, which underscores the need for a sustained and flexible commitment by the Board.

[1] https://www.bizjournals.com/denver/news/2020/03/20/colorado-colleges-refunds-coronavirus.html

Municipal Liquidity Facility

- Make cities and counties with populations greater than 500,000 eligible issuers for the Municipal Liquidity Facility.

Under the current terms of the Municipal Liquidity Facility, no cities or counties in Colorado would be considered an eligible issuer due to the size restrictions. Additionally, Colorado, like other many other states, has restrictions on borrowing funds which will make it unlikely the state will be able to issue debt and then lend to local governments[2]. Expanding the scope of eligibility for municipal governments by lowering the population thresholds will ensure a broader impact on cities and counties across the country.

Thank you for your prompt full and fair consideration of these recommendations as we respond to this crisis.

Sincerely,

Ed Perlmutter
Member of Congress

[2] https://www.colorado.gov/pacific/treasury/public-finance-debt-issuance

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Congress of the United States
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April 21, 2020

The Honorable Jerome Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Mr. Tom Barkin
President
Federal Reserve Bank of Richmond
701 East Byrd Street
Richmond, Virginia 23219

Dear Chairman Powell and President Barkin:

I want to first commend you for the tremendous work the Federal Reserve (the Fed) has done to foster economic stability during this global pandemic. The establishment of the Municipal Liquidity Facility (MLF) is the first time in history our central bank has intervened to provide direct liquidity to state and local governments. As a former County Executive, I strongly support this bold initiative and would like to see it expanded.

The primary reason I am writing is to call your attention to a disparate impact the Fed's current lending eligibility requirement is having on African American communities, including in my district. The initial tranche of loans will be awarded to cities with populations exceeding 1 million residents and counties with populations exceeding 2 million residents. While this is a good start, it leaves out many minority communities including the 35 cities in America that are home to the most African Americans.

As the Co-Chair of the bipartisan House Municipal Finance Caucus, I am intimately familiar with how the municipal bond market functions. We can hope that, by removing the largest issuers from the equation, we will increase demand for debt issued by smaller jurisdictions. We can also hope that states who borrow from the MLF will systematically redistribute funds to subdivisions. But if these second-order effects do not occur, I am asking you to consider direct lending to smaller jurisdictions.

I also suggest the establishment of a separate facility to purchase medium and long-term municipal bonds in the secondary market. More than 95 percent of municipal bonds have terms between one and 30 years, so this is a segment of the market that cannot be ignored.

I thank you in advance for your consideration of my requests. If you have any questions, they can be directed to Mr. David Heitlinger of my team at 202-225-3061.

Sincerely,

C.A. Dutch Ruppersberger

C.A. Dutch Ruppersberger
Member of Congress

CADR: dh

Congress of the United States
House of Representatives
Washington, DC 20515

May 1, 2020

The Honorable Steven T. Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

The Honorable Jerome Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Chairman Powell and Secretary Mnuchin:

Over the past month, the coronavirus pandemic has presented serious challenges to the health of our country and the stability of our economy. The Federal Reserve and Treasury have taken unprecedented steps to intermediate in the financial markets, providing critical liquidity and financing to nearly every sector of the economy. We thank you for your tireless efforts to calm the markets during this volatile time and encourage you to take further action to stabilize the municipal bond market to ensure state and local governments have access to needed financing.

As you may know, state and local governments contribute more than twice as much to U.S. GDP as the Federal Government, and they fund approximately two-thirds of our nation's infrastructure. Their access to the $3.8 trillion municipal bond market allows for the building of schools, roads, and community health centers across our nation. Unfortunately, over the past month, the municipal bond market has experienced a level of stress not seen in over a century – by some metrics worse than both the Great Depression and the 2008 financial crisis – causing significant strain on the ability of state and local governments to raise funding.

In a typical week, state and local governments issue between $8-10 billion in new bonds; however, the unprecedented and quickly deteriorating dislocation in the market has resulted in approximately one-third of such issuances in recent weeks, creating more than $35 billion in backlogged issuances to date. Yields on municipal bonds have been driven to levels never before seen in relation to U.S. Treasuries of similar maturities and investors in the secondary market have redeemed their bond holdings at record-breaking speed. It is critical the Federal Reserve and Treasury take steps to ensure our state and local governments, who are on the front lines fighting this novel virus, have access to the resources they need to fully serve our communities.

We appreciate the Federal Reserve's actions, with the Treasury's support, to intermediate in the short-term municipal market and to provide needed cash flow support to states and municipalities facing tax collection delays and strains on revenue sources. These needed actions support an important but relatively small component (approximately 5 percent) of the current market. To further support the needs of state and local governments, it is critical the Federal Reserve stands up a facility (or facilities) to purchase medium and long-term municipal securities publicly issued in the secondary market and directly from issuers. With more than 95 percent of municipal bonds having terms between 1 and 30 years, this is a segment of the market that should not be ignored. These efforts should also be extended to meet the needs of rural, suburban, and urban communities.

As you know, through the CARES Act, Congress directed the Federal Reserve and Treasury to utilize a portion of the $454 billion to serve the financing needs of state and local governments. It is our hope that with such actions by the Federal Reserve and Treasury to stabilize the municipal debt market combined with a turning of the tide on the state of the pandemic, the need for government intervention will be limited and we will soon return to normal market operations

We urge you to follow through on Congress' legislative intent and recommend providing at least an additional $35 billion of these CARES Act funds to support the municipal secondary market, and fully re-open the municipal primary market.

We appreciate your attention to this important issue and ask that you act swiftly to provide this needed support to the municipal bond market and the communities it serves.

Sincerely,

Steve Stivers
United States Representative

C.A. Dutch Ruppersberger
United States Representative

Anthony G. Brown
United States Representative

Grace F. Napolitano
United States Representative

Eleanor Holmes Norton
United States Representative

Joe Neguse
United States Representative

Bradley S. Schneider
United States Representative

Jamie Raskin
United States Representative

Jackie Speier
United States Representative

Mike Doyle
United States Representative

Donald J. Bacon
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Alcee L. Hastings
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United States Representative

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Val B. Demings
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United States Representative

Sylvia R. Garcia
United States Representative

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Deb Haaland
United States Representative

Terri A. Sewell
United States Representative

Marcia L. Fudge
United States Representative

Darren Soto
United States Representative

Denny Heck
United States Representative

David Trone
United States Representative

David P. Joyce
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Ann Wagner
United States Representative

Bill Foster
United States Representative

Conor Lamb
United States Representative

Brian Higgins
United States Representative

Daniel T. Kildee
United States Representative

Ed Perlmutter
United States Representative

Kenny Marchant
United States Representative

Fred Upton
United States Representative

Congress of the United States
Washington, DC 20515

April 22, 2020

The Honorable Jerome H. Powell
Chairman, Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Chairman Powell:

As Members of the Long Island Congressional Delegation who represent two of the counties most severely impacted by the COVID-19 pandemic, we thank you for quickly establishing the Municipal Liquidity Facility authorized by Congress in the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*. However, we are disappointed that the Federal Reserve established a two million resident requirement for counties to directly participate in the program. We strongly urge you to lower the threshold so that Nassau and Suffolk Counties can directly benefit from this much needed financial assistance during this challenging period.

As you know, the *CARES Act* directed the Secretary of the Treasury to, in conjunction with the Federal Reserve, use the $500 billion added to the Exchange Stabilization Fund to implement a program “that provides liquidity to the financial system that supports lending to States and municipalities."[1] Unfortunately, though the *CARES Act* did not specify how large a municipality must be in order to directly participate in the program, the term sheet for the Municipal Liquidity Facility, released by the Federal Reserve on April 9th, included a requirement that counties must have two million residents. While Nassau and Suffolk Counties both have well over one million residents, neither meets this steep requirement.

New York is the epicenter of the COVID-19 pandemic in our nation, and Long Island has been especially hard hit. According to data from the Johns Hopkins University Center for Systems Science and Engineering, as of today, Nassau County has had 31,079 confirmed cases of COVID-19 and Suffolk County has had 28,701 confirmed cases. These figures place both counties in the top five in the country.

Our local governments are on the front lines of the pandemic and are facing major financial difficulties due to disruptions in tax revenue. Without the assistance of the Federal Reserve, Nassau and Suffolk Counties might not be able to provide essential services including health care, housing, and law enforcement. Because of the disproportionate impact of the pandemic on Long Island, we ask that you ensure that Nassau and Suffolk Counties can both directly participate in the Municipal Liquidity Facility by lowering the population threshold.

Thank you for your attention to this important matter.

Sincerely,

THOMAS R. SUOZZI
Member of Congress

PETER T. KING
Member of Congress

KATHLEEN M. RICE
Member of Congress

LEE ZELDIN
Member of Congress

[1] §4003(c)(3)(E) of the *CARES Act*

COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON HOUSING AND INSURANCE
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Congressman Lee M. Zeldin
First Congressional District of New York

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April 20, 2020

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

The Honorable Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve
20th Street and Constitution Avenue, NW
Washington, D.C. 20551

Dear Secretary Mnuchin and Chairman Powell:

I write to express my appreciation for the work the Department of Treasury and Federal Reserve are doing to stabilize the economy and underscore the need to provide additional assistance to more local governments to ensure they have the ability to finance the delivery of essential services for their residents.

On April 8, 2020, the Federal Reserve announced the establishment of the Municipal Liquidity Facility (MLF) to help state and local governments better manage cash flow pressures in order to continue to serve households and businesses in their communities. The MLF will purchase up to $500 billion of short-term notes directly from U.S. states, including the District of Columbia, U.S. counties with a population of at least two million residents, and U.S. cities with a population of at least one million residents.

I greatly appreciate the creation of the MLF, but an eligibility threshold of two million residents for U.S. counties is too restrictive and will box-out many large counties that are facing liquidity issues in new issuances of debt. As you know, local governments issue short-term notes to help smooth uneven cash flows so that they can finance the delivery of essential services.

The Federal Reserve has stated that it will continue to closely monitor conditions in the primary and secondary markets for municipal securities and will evaluate whether additional measures are needed to support the flow of credit and liquidity to state and local governments.

As the Federal Reserve evaluates whether additional measures are needed, I ask that the Federal Reserve lower the county population threshold to one million residents to capture more counties that are in desperate need of help.

Counties play a vital role in providing essential services, maintaining local infrastructure, and investing in Americans' health. All levels of government have an important role to play in responding to this pandemic, and it is paramount that large counties under the two million population threshold are not left out of the equation.

Sincerely,

Lee Zeldin
Member of Congress

United States Senate

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

WASHINGTON, DC 20510–6075

April 17, 2020

The Honorable Steven T. Mnuchin
Secretary
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

The Honorable Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Secretary Mnuchin and Chair Powell:

The COVID-19 (coronavirus) pandemic is an unprecedented global health emergency. More than 30,000 Americans have died and the virus threatens to overwhelm our healthcare system.[1] Businesses across the country, especially those in the retail, service, and hospitality industries, have had to close their doors. In the last month, 22 million Americans have filed for unemployment.[2]

Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act to address the public health emergency and its economic impact. In addition to critical funding for hospitals, communities, and unemployment benefits for workers, the bill includes up to $454 billion in funding from Treasury that the Federal Reserve Board can use to create up to $4.5 trillion in lending to help businesses support their workers who have been affected by the pandemic. The CARES Act also established a Congressional Oversight Commission to conduct oversight of the Treasury and Federal Reserve's implementation of the Act and its efforts to provide economic stability related to the coronavirus pandemic.[3]

Last week, the Federal Reserve announced several new and updated programs to provide up to $2.3 trillion in loans intended to support the economy during the coronavirus pandemic, leveraging part of the $454 billion in taxpayer money authorized under the CARES Act. We are concerned that the Treasury and Federal Reserve have not provided sufficient transparency into the structure and administration of these programs or adequate explanation for the decisions made so far.

The CARES Act gave significant discretion to the Treasury Secretary with respect to the programs created under section 13(3) of the Federal Reserve Act, but the Federal Reserve, which Congress oversees, also plays an essential role in creating and administering these lending

[1] Coronavirus in the U.S.: Tracking deaths and confirmed cases by state. Washington Post. March 27, 2020. Last accessed on April 16, 2020. https://www.washingtonpost.com/graphics/2020/national/coronavirus-us-cases-deaths/?itid=lk_inline_manual_3.
[2] Department of Labor. April 16, 2020. Unemployment Insurance Weekly Claims. https://www.dol.gov/ui/data.pdf; https://fred.stlouisfed.org/series/ICSA.
[3] Pub. L. No. 116–136, Sec. 4020.

facilities. Congress granted the lending authority under the CARES Act with the expectation that Treasury will use these Federal Reserve facilities to help states and municipalities, small and medium size businesses in support of our whole economy. In addition, the CARES Act loan facilities should require important worker protections and place restrictions on corporate spending for stock buybacks, dividends and capital distributions, and excessive compensation.

Yet, neither the Federal Reserve nor the Treasury has communicated objective criteria for the allocation of funds by Treasury through the facilities or how the statutorily required restrictions will be enforced. Furthermore, none of the facilities require participants to ensure that economic assistance directly benefits workers. The documentation published to date for each facility does not provide sufficient detail and creates more uncertainty for local governments, small businesses, workers, and homeowners and renters. While states, cities, municipalities, and small businesses across the country are desperate for relief, Treasury and the Federal Reserve are instead allocating almost a fifth of relief provided in the CARES Act to prop up existing corporate facilities for Wall Street.

Both Treasury and the Federal Reserve have a responsibility to make sure the law is followed and to prioritize the people who need help the most. This means that Treasury and the Federal Reserve must apply the majority of the $454 billion in equity to support small and mid-sized businesses, non-profit organizations, and states and municipalities and to stabilize the housing market.

It is clear that these programs are complicated and that the Federal Reserve and Treasury are working quickly, but without more details and thorough explanations to the public and Congress, large, medium, and small businesses, policy makers, and working Americans will not be able to plan accordingly. Under the CARES Act, the Federal Reserve Board must keep a record of its votes and the reasoning for the important decisions it makes during this pandemic. [4] The Federal Reserve remains accountable to Congress and the American people, and it is required to responsibly communicate the need and justification for its actions in a transparent way.

In light of these concerns, please respond to the following questions by April 24, 2020. The responses to these questions will be critical to Congress's oversight of the Treasury's and Federal Reserve's use of authority. Your answers will also help us evaluate the impact of your actions on the well-being of Americans and the U.S. economy, financial markets, and financial institutions, market transparency, and minimize costs and maximize benefits for taxpayers.[5] The American public deserves to understand how these facilities are run and that funding is allocated fairly and in a way that helps the real economy.

1. **How do Treasury and the Federal Reserve work together?** How does the Federal Reserve identify the need, size, and amount of each facility and on what data does the Federal Reserve rely to make the determination? Please provide the policies or procedures in place between the Department of the Treasury and the Federal Reserve to ensure that all statutory obligations, including prohibitions on stock buybacks and dividends, worker protections, and reporting requirements, under the CARES Act and the

[4] Sec. 4009.
[5] Sec. 4020.

Federal Reserve Act are met. Also, please identify the personnel involved in developing and operating the programs at each agency.

2. **What is the Federal Reserve's strategy?** What is the process for how the Federal Reserve determines which actions it will take as a response to this crisis, and on what data does it rely? How do the Secretary of the Treasury's objectives influence the Federal Reserve's strategy? How do the Federal Reserve and the Treasury resolve differences when their priorities are not aligned?

   Unlike the 2008 financial crisis, this crisis was sparked by a global health pandemic. But the Federal Reserve is reprising many of the same tools it used in 2008, and has gone even further to help big business and Wall Street: broadening the scope of its lending authority and repurchase agreement operations, reducing regulatory requirements, and establishing new facilities to support large U.S. corporations. To what extent did the Federal Reserve consider moral hazard concerns before reestablishing and expanding these facilities? How does the Federal Reserve plan to mitigate the moral hazard effects of providing funding to financial institutions and companies that took on excessive debt or risk?

   Please explain the prioritization of the lending facilities under the CARES Act. How do these decisions address the unique economic disruption resulting from the pandemic? How have the Federal Reserve's action been designed to achieve maximum benefit and participation by affected entities?

3. **How will the Federal Reserve evaluate the impact of its strategy to stabilize the economy and support households and businesses?** What data and metrics will the Federal Reserve cite to show the effects of its actions on financial markets, credit availability, or the economy? Have these actions increased lending for individuals and small businesses? How will the Federal Reserve evaluate how its actions will affect financial markets and the real economy in the short-term and long-term? What is Treasury's role in this evaluation?

   The Federal Reserve initially established a number of facilities intended to support the flow of credit to households and businesses–the Commercial Paper Credit Facility, Money Market Mutual Fund Liquidity Facility, Primary Market Corporate Credit Facility, Secondary Market Corporate Credit Facility, and the Term Asset-Backed Securities Lending Facility. How many households and small businesses does the Federal Reserve anticipate these facilities will support and how will the Federal Reserve measure the impact of such actions? On what data or metrics did the Federal Reserve rely in deciding to redirect additional taxpayer funds to the corporate credit facilities? What factors will the Federal Reserve consider if it decides to increase it further?

   What data and metrics will the Federal Reserve use to evaluate the effects of its actions on the number of businesses that are able to remain open and operating? How will they monitor whether businesses have maintained employment levels? How will the Federal Reserve ensure that liquidity for institutions issuing Paycheck Protection Program (PPP) loans is distributed fairly, regardless of the size or geographic location of the institution? How will Treasury and the Federal Reserve ensure that funding under all of the facilities is allocated without regard to institution size, so that smaller lenders are not left out?

4. **Will the strategy help protect workers?**
Why did the Federal Reserve create Main Street facilities that do not require businesses to retain and protect workers? How is funding to corporations determined and why do corporate credit facilities have no requirements on large U.S. corporations to retain and protect workers? Why do the Federal Reserve and Treasury fail to prioritize companies that retain workers, protect collective bargaining rights, and that do not outsource jobs?

5. **What reforms will the Federal Reserve impose on corporations that are taking taxpayer money?** Why do the Federal Reserve's corporate credit facilities fail to include restrictions on stock buybacks, dividends, and excessive compensation for entities that receive loans or funding backed by taxpayer dollars? The Federal Reserve must disclose the names of each company that requests assistance and the amount of support it receives in addition to the other disclosure requirements of the CARES Act. All of these disclosures and the corresponding reports are required to be transmitted to Congress and the public – how will you provide these disclosures so they are in an accessible, searchable format?

6. **How will the Federal Reserve monitor compliance and ensure that funding is allocated in an objective and non-partisan way?** How will Treasury and the Federal Reserve verify conflict of interest certifications required under section 4019 the CARES Act? To what extent does the Treasury influence the Federal Reserve's decisions? How will your agencies track and enforce compliance with requirements under the CARES Act or other terms established under the Federal Reserve facilities? What steps will Treasury and the Federal Reserve take if requirements are not met?

7. **Are small businesses and working Americans getting a fair shake?** The Federal Reserve term sheets raised more questions than answers for many people struggling to get by during the coronavirus pandemic. Small businesses, sole proprietorships, unions, non-profits, and other people and entities without ready access to lawyers and financial advisors need to understand how and whether they are eligible to participate in Federal Reserve programs. How will the Federal Reserve ensure that its programs are accessible directly to Americans? Is the Federal Reserve taking any direction from Treasury that limits direct accessibility of these programs?

8. **Will the strategy help states, cities, and localities that are facing budget shortfalls while trying to provide sufficient public health and safety resources to fight the coronavirus?** Please explain how you established the parameters of the Municipal Liquidity Facility (MLF). How will funding be allocated within those parameters? On what data did Treasury and the Federal Reserve rely in determining the population threshold for cities and counties eligible to participate in the MLF? Why do these parameters exclude the 35 cities with the largest black populations?[6] What challenges

[6] https://www.brookings.edu/research/a-chance-to-improve-the-equity-impact-of-the-feds-municipal-lending-facility/.

does the Federal Reserve consider as an impediment to expanding the MLF's criteria to include large metropolitan areas that do not meet the current threshold? Please provide the analysis, if any, on the MLF's disparate impact on majority-minority communities, which are disproportionately impacted by the coronavirus and historically have been underserved by financial institutions. How will you ensure that funding to states and municipalities is not influenced by any political determination, but based on need and other objective criteria?

9. **What is the scope of the Federal Reserve's statutory authority?** What is the Federal Reserve's understanding of the statutory limits on its use of funds? How does the Federal Reserve justify its actions under the CARES Act and the Federal Reserve Act? What 13(3) limitations, restrictions, and regulations has the Board of Governors prescribed for lending facilities using equity authorized under the CARES Act and how do they apply to each facility? How can the Federal Reserve use its authority to provide direct relief to workers and families, small and mid-sized businesses, non-profit organizations, and states and municipalities? For programs established outside of CARES Act authority, what alternatives did the Federal Reserve consider?

10. **What are Treasury and the Federal Reserve doing to prepare for the future?** What other facilities or actions is the Federal Reserve planning so that consumers, small businesses, and localities get direct relief? Has Treasury suggested or rejected any specific facilities or actions? What is the timing for any of these actions? What steps will the Federal Reserve take to maintain stability across the single-family and multifamily housing markets to support the needs of homeowners, renters, and the broader housing system?

Thank you and we look forward to your response.

Sincerely,

/s/ Sherrod Brown
Sherrod Brown
Ranking Member

/s/ Charles E. Schumer
Charles E. Schumer
Minority Leader

/s/Chris Van Hollen
Chris Van Hollen
United States Senator

/s/ Elizabeth Warren
Elizabeth Warren
United States Senator .

/s/ Catherine Cortez Masto
Catherine Cortez Masto
United States Senator

/s/ Brian Schatz
Brian Schatz
United States Senator

/s/ Tina Smith
Tina Smith
United States Senator

United States Senate
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
WASHINGTON, DC 20510–6075

April 16, 2020

The Honorable Steven T. Mnuchin
Secretary
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

The Honorable Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Secretary Mnuchin and Chairman Powell:

Title IV of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides $500 billion in emergency relief in order to provide liquidity to eligible businesses, States, municipalities and Tribes related to losses incurred as a result of COVID-19. Due to the unprecedented shutdown of businesses to prevent the spread of COVID-19, bold and dramatic steps are needed to limit the depth of the economic shock the country is currently experiencing, and to provide conditions for a quick and robust recovery once the economic restrictions are lifted.

On April 9, 2020, the Federal Reserve Board and Department of Treasury announced new and expanded lending programs to provide up to $2.3 trillion in loans. This is a powerful step forward to support the flow of credit in the economy and I request that you update the facilities' term sheets accordingly to address the issues raised below.

Paycheck Protection Program

The CARES Act authorizes up to $349 billion in forgivable loans through the Small Business Administration's Paycheck Protection Program (PPP), aimed at keeping small businesses up and running, and primarily to keep their workers employed during the COVID-19 crisis. That initial $349 billion allocated to the SBA's PPP has now been completely depleted. As a result, Congress must immediately pass additional funding for the PPP to continue providing critical support so that small businesses and their employees can stay afloat during this challenging crisis. The Fed announced a facility to bolster the effectiveness of the PPP by supplying liquidity to participating financial institutions through term financing backed by PPP loans to small businesses. The Paycheck Protection Program Liquidity Facility (PPPLF) will extend credit to eligible financial institutions that originate PPP loans, taking the loans as collateral at face value.

Financial institutions have raised many questions about the PPP in recent weeks, including with respect to the applicable interest rate, Bank Secrecy Act and anti-money laundering requirements, affiliation rules, certifications and verifications, liability, the speed and efficiency of technology platforms and more. The SBA and Treasury have addressed and continue to address many of these questions through periodic updates to guidance. However, there are still several outstanding issues, including:

- Whether participation in the PPP will be made available to a range of non-depository institutions and other lenders that are not currently approved, such as Community Development Financial Institutions;

- Providing flexibility so that small businesses in certain industries that are currently ineligible under existing SBA regulations may access the PPP;

- Providing clear communication about the PPP, including, but not limited to, guidance on what the secondary market looks like, guidance on what is required for loan forgiveness and how it will work, a more comprehensive hold harmless agreement, contact information for technical support and an updated list of approved lenders;

- Clarifying through additional guidance how to determine and calculate PPP loan forgiveness;

- Taking additional steps to address issues with technology supporting the Program, including malfunctions and delays while processing loans (and providing additional flexibility on timeframes for disbursing loans as a result) and onboarding new bank employees to use technology;

- Making any necessary changes to various loan terms and conditions to achieve the broadest possible participation by both borrowers and lenders, and to ensure new and existing customers' needs are being met, including to applicable interest rates, loan disbursement timing, loan uses and verification;

- Identifying opportunities to extend the PPP loans' maturity beyond two years, within the maximum maturity specified in the CARES Act; and

- Working with the Small Business Administration to acknowledge the good faith effort by banks to push forward originating and funding PPP loans despite issues emanating in the Program and a lack of full guidance, and honor the guarantees associated with those loans.

A number of financial institutions have stressed the important role that a Federal Reserve facility for PPP loans ultimately plays in the Program's effectiveness. As this facility becomes operational, it is imperative that access to the PPPLF be broad, including to a wide variety of non-depository financial institutions, and that it be easy and quick to facilitate funding under the PPPLF.

Main Street Lending

The Federal Reserve announced two Main Street Lending Programs – the Main Street New Loan Facility (MSNLF) and the Main Street Expanded Loan Facility (MSELF). Although the facilities share some aspects, they each meet different needs on loan type, size and terms. The facilities ensure that credit flows to small and mid-sized businesses with the purchase of up to $600 billion in loans. Using funding from the CARES Act, Treasury will provide $75 billion in equity to the facilities. Given that financial institutions will retain a five percent share in an eligible loan, the following needs to be addressed to ensure broad participation by lenders and borrowers:

- Set earnings before interest, taxes, depreciation and amortization (EBITDA) multiples that provide for the broadest possible access for small and medium-sized organizations;

- Amend language pertaining to the debt considered in relation to the EBITDA multiples (*i.e.*, "existing outstanding and committed but undrawn debt") such that it appropriately considers debt's funding terms and covenants, and reflects the amount that a business is actually able to borrow, and provide guidance on whether lenders can make adjustments to EBITDA;

- Provide greater clarity on access to the facilities for a range of small and medium-sized organizations that are either not traditionally profit-seeking entities, such as non-profits, universities and hospitals, or those organizations that do not typically use EBITDA multiples;

- Adjust the facilities' $1 million minimum loan size and provide flexibility for longer loan maturities to avoid unintentionally impeding access to the facilities for a vast array of otherwise qualified small and medium-sized businesses;

- Provide certainty that the underwriting and lending decisions ultimately lie with the bank, regardless of any borrower meeting the basic minimum criteria under the terms sheets, and provide greater clarity around how and when a borrower's creditworthiness is to be determined;

- Provide flexibility for financial institutions to utilize a reference rate other than the Secured Overnight Financing Rate (SOFR), which will help ensure the reference rate is one with which both the borrower and lender are familiar;

- Provide flexibility for sectors of the economy that are required to pay dividends as a condition of their company's legal structure; and

- Permit U.S. branches and agencies of non-U.S. banks to qualify as U.S. businesses, thereby allowing them to act as intermediaries for their customers with regard to these facilities.

These Main Street Lending Facilities provide a lifeline to an important subset of our economy, many of which may not qualify for other sources of assistance. Incorporating widespread restrictions in these facilities could unintentionally harm employees, businesses and investors, rendering the facilities ineffective. To avoid unintended consequences, the Federal Reserve and Treasury should avoid adding new barriers and remove any existing barriers that inhibit the broadest possible access to these facilities.

Corporate Credit and Asset-Backed Securities

The Federal Reserve also announced that it will expand the size and scope of the Primary Market Corporate Credit Facility (PMCCF) and Secondary Market Corporate Credit Facility (SMCCF), as well as the Term Asset-Backed Securities Loan Facility (TALF). Together, these three programs will now support up to $850 billion in credit backed by $85 billion in credit protection provided by the Treasury. Although this initial expansion of the size and scope of these three facilities is an encouraging first step, additional steps will likely be needed to stabilize credit markets:

- Seek input on how to expand the size and scope of these facilities as appropriate to ensure the stability of both investment grade and non-investment grade markets; and

- Conform reference to both “major” and “eligible” nationally recognized statistical ratings organizations (NRSROs) so that they are consistent and the applicable NRSRO is clear.

Municipals

The Federal Reserve established the Municipal Liquidity Facility (MLF) to help state and local governments manage cash flow stresses caused by COVID-19. The MLF will offer up to $500 billion in lending to states and municipalities with the Treasury providing $35 billion of credit protection to the Federal Reserve for the MLF using funds appropriated by the CARES Act. As it stands under the MLF’s term sheet, no city or county in Idaho would qualify, which precludes rural communities from receiving significant and critical assistance in response to COVID-19. In addition to larger and more urban communities, States, cities, municipalities and Tribes with smaller and more rural populations have also been materially affected by COVID-19. All States have a significant need for assistance in response to COVID-19, and a minimum guarantee of assistance to all States should be established to ensure that no State is left without:

- In accordance with Title IV, update the terms so cities, counties, and tribes in rural states like Idaho can apply rather than be automatically excluded. The facility needs to work for both rural and urban states; and

- Provide more clarity on pricing based on an eligible issuer's rating, disclosure to the public per state and taxpayer protections.

Even with these newly-announced facilities and the expansion of the size and scope of certain existing facilities, there remains significant funding provided by Title IV of the CARES Act to continue expanding these facilities and to address other troubled areas, such as the mortgage servicing industry. The Federal Reserve and Treasury should provide guidance on how they are prioritizing the next tranche of emergency lending as financial markets and economic conditions change.

I appreciate the hard work of the Federal Reserve and Treasury to launch a wide range of facilities and programs quickly to provide support to financial markets and the broader economy. As these programs and facilities become operational and you look to bring new facilities online, it is critical that you communicate fully with targeted organizations, and that terms and conditions be structured prudently to ensure that support makes it to the intended organizations in a timely and efficient manner. Additionally, given the state of the economy and employment as a result of working to stop the spread of COVID-19, it is important that the Treasury and Federal Reserve get these facilities operational and lending to the real economy in short order. Please update the facilities' terms sheets accordingly to quickly address these issues.

Sincerely,

Mike Crapo

Mike Crapo
Chairman

MAZIE K. HIRONO
HAWAII

United States Senate
WASHINGTON, DC 20510-1104

COMMITTEE ON ARMED SERVICES
COMMITTEE ON ENERGY & NATURAL RESOURCES
COMMITTEE ON THE JUDICIARY
COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
COMMITTEE ON VETERANS' AFFAIRS

April 24, 2020

The Honorable Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Dear Chairman Powell,

On April 9, 2020, the Federal Reserve announced the establishment of the Municipal Liquidity Facility (Facility) to purchase up to $500 billion in debt from states and eligible local governments dealing with budgetary stresses as a result of the COVID-19 pandemic. Although this is a significant and welcome development, the terms issued by the Federal Reserve limit Facility purchases to short-term notes that mature within two years.[1] State and local governments are dealing with unprecedented circumstances and it is unclear how long they will need to respond to impacts from COVID-19. I urge you to extend this two-year time frame and give states substantially more time to repay loans to the Facility.

Our state and local governments are on the front lines dealing with this pandemic. In addition to the public health emergency, they are facing both a loss of revenue as well as a higher demand for services. One analysis estimates that states could be facing budget shortfalls totaling more than $500 billion over the next two years.[2] Moreover, this estimate does not include new costs resulting from the pandemic which are significant in both scope and magnitude. State and local governments will be managing budgetary stresses caused by the pandemic for the foreseeable future. As an example, the State of Hawaii estimates a $1.5 billion shortfall for just the next 15 months, making a two-year loan challenging. Requiring repayment of loans before revenue returns to normal and pandemic-related costs cease will lengthen the amount of time our governments are under stress and could delay a full economic recovery.

In addition, other facilities announced by the Federal Reserve and the U.S. Department of the Treasury provide assistance with longer repayment options. The Main Street New Loan Facility targeted to help small and medium-sized businesses provides for loans of up to four years.[3] The

[1] https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200409a3.pdf
[2] https://www.cbpp.org/press/statements/greenstein-new-covid-19-bill-helpful-but-inadequate-more-needed-for-states-and
[3] https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200409a7.pdf

Primary Market Corporate Credit Facility which provides support for corporate bond markets also allows a four year maturity rate[4] and the Secondary Market Corporate Credit Facility allows for five years.[5] Providing state and local governments at least that amount of time would give them much needed flexibility in recovering from this pandemic. Further, based on the information released by the Federal Reserve to date, there does not appear to be a clear legal or policy rationale for the shorter duration provided to state and local governments compared to private sector entities.

This Facility is a historic step by the Federal Reserve in support of our state and local governments, but changes are needed to make this program effective and truly beneficial. The Federal Reserve has stated it “will evaluate whether additional measures are needed to support the flow of credit and liquidity to state and local governments.”[6] I urge you to exercise this discretion by significantly extending the amount of time the Facility gives our states, cities, and counties, to deal with the extraordinary circumstances they are facing as a result of the pandemic.

Sincerely,

Mazie K. Hirono
United States Senator

[4] https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200409a5.pdf
[5] https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200409a2.pdf
[6] https://www.federalreserve.gov/newsevents/pressreleases/monetary20200409a.htm

United States Senate

April 17, 2020

The Honorable Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Dear Chairman Powell,

We write to you today to express our concerns regarding the seemingly arbitrary city and county population thresholds used to determine eligibility for the Federal Reserve's recently announced Municipal Liquidity Facility program authorized in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act; P.L. 116-136). Cities and counties across the country are in desperate financial straits and need assistance from Congress and the Federal Reserve, and the Federal Reserve's announcement last week that it would be purchasing up to $500 billion of debt from eligible cities and counties was welcome news.[1] But by limiting the direct purchase of short-term notes to cities with at least one million residents and to counties with at least two million residents, the Federal Reserve's program will benefit only 15 counties and 10 cities, leaving out much of the country, including some of the hardest-hit communities.[2]

With over 50,000 different issuers within the municipal bond market, we understand that the Federal Reserve had to take the difficult step in establishing parameters on what type of municipal bonds can be accepted into the facility.[3] However, the population limitation is arbitrary and unacceptable and will hurt hundreds of communities nationwide. We, therefore, strongly urge you to revise the terms of the Federal Reserve's Municipal Liquidity Facility program by considering more inclusive alternatives to reducing the complexity of the municipal liquidity facility.

As we look to weather our Nation's health and economic crisis, we have been in constant contact with state and local governmental entities affected by the novel Coronavirus (COVID-19) pandemic across our country. Cities and counties are on the front lines in this public health emergency and need assistance from the federal government to address the lost revenue from and increased costs of the fight against COVID-19. The pandemic has caused significant revenue shortfalls and has also increased costs for local governments. A National League of Cities report released earlier this week found that more than 2,100 cities are planning for major budget

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[1] Board of Governors of the Federal Reserve, Term Sheet: Municipal Liquidity Facility, April 9, 2020, https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200409a3.pdf.
[2] Aaron Klein and Camille Busette, "Improving the equity impact of the Fed's municipal lending facility," the Brookings Institution, April 14, 2020. https://www.brookings.edu/research/a-chance-to-improve-the-equity-impact-of-the-feds-municipal-lending-facility/
[3] Financial Times, "Federal Reserve faces blowback over plan to back some cities over others," Colby Smith and Patrick Temple West, April 14, 2020. https://www.ft.com/content/e2d20041-0d86-4dea-8016-d1cfcc01f4c0

shortfalls this year as a result of unexpected increase in expenditures and loss in revenue.[4] This has resulted in localities scaling back projects and services to focus on curbing the spread of the virus. Now more than ever, localities need the expeditious support of the federal government to fill these short and long-term gaps in funding.

On a local level, localities are experiencing and responding to these shocks in a variety of ways. Baltimore City, Maryland (population 602,000) anticipates a $42.3 million budget shortfall as a result of COVID-19 and has been forced to undergo a spending and hiring freeze.[5] The City of Boston (population nearly 695,000) will see tens of millions in lost revenue and unexpected expenses related to the immediate public health response and the long term effects of restarting the local economy. Because of the pandemic, Toledo, Ohio (population: 276,491) anticipates a budget deficit of $10 million but it could balloon as high as $50 million. To trim costs, the city has placed over 10% percent of its employees on temporary emergency leave - a decision that has affected every facet of city government, including the police and fire departments. And, New York's Westchester County (population 967,506) is estimating over a $100 million decline in sales tax revenue, plus nearly $16 million in reduced public transportation fares and $8 million in county park fees. These are just four examples of how this economic shock is playing out around the U.S.

Congress intended for the law to channel badly needed resources to state and local governments that are fighting on the front lines of the coronavirus pandemic while grappling with a historic economic slowdown and billions of dollars in lost revenue. By imposing the limits set out in its Municipal Liquidity Facility program, the Federal Reserve is denying the vast majority of our country's local governments direct access to funding, leaving them in desperate straits. Without quick access to federal assistance, these governments will be forced to cut services or raise taxes—both of which can harm public health and the economy when they are most vulnerable.

As we continue to navigate this difficult time for our Nation, we must stay united in our resolve to combat this virus and the economic crisis it has created, and the federal government must provide all states and counties with much-needed assistance. We therefore urge you to expand eligibility for the new Municipal Liquidity Facility.

Sincerely,

______________________	/s/ Charles E. Schumer_______
Chris Van Hollen	Charles E. Schumer
United States Senator	United States Senator

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[4] Washington Post, "More than 2,100 U.S. cities brace for budget shortfalls due to coronavirus, survey finds, with many planning cuts and layoffs," Tony Romm, April 14, 2020. https://www.washingtonpost.com/business/2020/04/14/cities-budget-cuts-coronavirus/.

[5] Baltimore Sun, Baltimore faces $42.3 million deficit as the coronavirus pandemic upends economic activity, April 1, 2020. http://www.baltimoresun.com/politics/bs-md-pol-budget-deficit-coronavirus-20200401-4lusscuwynhwfdebaowdj7vrku-story.html.

Elizabeth Warren
United States Senator

/s/ Sherrod Brown
Sherrod Brown
United States Senator

Tammy Baldwin
United States Senator

Kyrsten Sinema
United States Senator

Jeanne Shaheen
United States Senator

cc: The Honorable Steve Mnuchin, Secretary of the Treasury

COUNTY OF SUFFOLK

OFFICE OF THE COMPTROLLER

JOHN M. KENNEDY, JR.
Comptroller

April 15, 2020

Honorable Jerome H. Powell, Chairman

United States Federal Reserve System

2001 C St. NW

Washington DC 20001

Re: Municipal Liquidity Facility

Dear Chairman Powell:

I write today to extend the thanks of the more than 1.4 million residents of Suffolk County, New York for the bold action taken by the Federal Reserve on April 9, 2020, in announcing the creation of the Municipal Liquidity Facility (Facility). The opportunities presented by the creation of this entity are particularly timely, as Suffolk County has been severely impacted by the effects of the Covid -19 virus. With more than 20,000 confirmed diagnosis, and over 1000 fatalities directly caused by this viral scourge, every aspect of our County government is being tested to the fullest extent of our resiliency.

County personnel have been released to work at home situations, and our essential services personnel are consistently placed under duress in the execution of their duties. Our hospitals are full, and we are a hopeful that the President's directives on social distancing, business closure, and isolation are all stopping the spread of this terrible virus. In addition to the horrific toll on our residents both physically, and emotionally, the economic consequences are beyond profound. One of the many consequences has been the drastic reduction in collection and distribution of sales tax, the primary revenue stream for Suffolk County operations. The 2019 actual sales tax receipts for Suffolk County, which was transmitted on February 12, 2020, completed a total remittance of $1,511,980,733. This amount revealed a $9,271,927 deficit in actual receipt from the 2019 budgeted amount of $1,521,252,660.

The April 6 sales tax check was $ 8 million lower than the same thirty day time period for 2019, and the remainder of this year's sales tax remittances will likely be lower. This then leads to Suffolk County's second largest revenue stream, Real Property taxes. Suffolk County levies $49 million in general fund property taxes each year, but then also levies an additional $600 million plus dollars for operation of the Suffolk County Police District, covering the 5 west end towns of the County, and roughly 90 percent of the 1.4 million residents. Because of the creation of a Special Act by the New York State Legislature roughly 100 years ago, governing the assessment, levy, collection and distribution of property taxes, the County does not receive any proceeds until almost 7 months into the property tax year. Hence, we must go into the market periodically for short term notes to fund operations in anticipation of revenues. On April 5, just 10 days ago, we closed on a $105 million Revenue Anticipation Note (RAN), and a $30 million Bond Anticipation Note (BAN). Due to the turmoil in the market, and as a result of a downgrade in rating by Standard and Poor's, as well as Fitch, Suffolk County was forced to accept a 4% rate of interest. This is in contrast to the 1.5 percent net interest cost for the issuance of $410 million in Tax Anticipations Notes (TAN) in December of 2019, underwritten by the same investment bankers, Jeffries.

Unfortunately, the mathematics are very simple, yet brutal, just as is the Covid -19 virus. Suffolk County residents will sustain an additional 2.6 million in interest expense, just so that we are able to keep the essential elements of County government functioning in the face of a medical crisis, unlike any seen in most of our lifetimes. Mindful of this very stark reality, I ask that you reconsider the minimum population threshold for direct access to the Facility, and lower the same to at least 1.4 million. Furthermore, I ask that you extend authority for the operation of the Facility to December 31, 2020, so that we can insure liquidity for the balance of this calendar year. Thank you for your consideration of this request.

Sincerely,

John M. Kennedy Jr.

CENTER FOR CAPITAL MARKETS
COMPETITIVENESS

TOM QUAADMAN
EXECUTIVE VICE PRESIDENT

1615 H STREET, NW
WASHINGTON, DC 20062-2000
(202) 463-5540
tquaadman@uschamber.com

April 16, 2020

The Honorable Jerome Powell
Chairman
Board of Governors of the Federal
Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

The Honorable Steven T. Mnuchin
Secretary
United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Chairman Powell and Secretary Mnuchin:

The U.S. Chamber of Commerce's ("the Chamber") Center for Capital Markets Competitiveness ("CCMC") appreciates the opportunity to comment on programs announced by the Federal Reserve Board ("Federal Reserve"), with the support of the Treasury Department ("Treasury"), to promote liquidity to different corners of the economy. These programs are extremely important to support businesses struggling with the cashflow challenges caused by the coronavirus pandemic. The guiding principle of the U.S. Chamber of Commerce ("the Chamber") during this crisis is that no family and no business should go bankrupt because of the financial hardships caused by the coronavirus pandemic.

The uncertainty that has been thrust upon the business community by the pandemic has required the private sector to turn to the federal government to provide resources and reassurances in the short-term so our financial markets can function efficiently. Liquidity in many corners of our financial markets have dried up in recent weeks as issuers and investors grapple with understanding their individual circumstances and the direction overall economy. The Federal Reserve will, and already is, playing a key role for restoring confidence to the business community and financial markets.

The comments in this letter reflect the Chamber's view on the Paycheck Protection Program Lending Facility (PPPLF), the Term Asset-Backed Securities Loan Facility (TALF), the Primary Market Corporate Credit Facility (PMCCF), the Secondary Market

Corporate Credit Facility (SMCCF), the Municipal Liquidity Facility (MLF), the Commercial Paper Funding Facility (CPFF), and liquidity challenges for mortgage servicers. The Chamber is providing feedback on the Main Street Lending Program under separate cover.

Paycheck Protection Program Lending Facility

We commend the Federal Reserve and Treasury for authorizing the Paycheck Protection Program Lending Facility (PPPLF). The effectiveness of the Small Business Administration's Paycheck Protection Program (PPP) is a top priority of the Chamber. The PPP is a lifeline for countless small businesses, and it is therefore appropriate the Federal Reserve would offer liquidity to financial institutions issuing these loans. The below recommendations are intended to enhance the impact of the PPPLF.

The Federal Reserve should clarify "eligible borrowers" for the purposes of the PPPLF. The term sheet notes that all depository institutions that originate PPP loans are eligible and that the Board is "working to expand eligibility" to other lenders that originate PPP loans. Non-depository lenders approved by the Small Business Administration (SBA) to issue PPP loans should automatically gain access to the PPPLF.

The Federal Reserve should facilitate the secondary market by addressing eligibility for depository institutions that are not PPP approved lenders. The PPPLF term sheet appears to only contemplate the pledging of PPP loans by the lenders that originate them, excluding the ability of non-originating depository institutions from holding loans, loan participations, or other securitization interests to access the PPPLF by pledging those instruments. Such a narrow approach would inhibit the robust development of a secondary market in PPP loans, which is necessary in order to fully allow all PPP lenders (particularly non-bank lenders who are currently unable to directly access the PPPLF) to maximize their balance sheet and maximize PPP lending to small businesses in need of funds on an urgent basis.

The PPPLF should contemplate additional guidance on SBA affiliation rules under the PPP. The Chamber has advocated for clarification of these rules, including for borrowers backed by angel investors, venture capital and private equity, so more businesses can access the loans available under the PPP.[1]

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[1] U.S. Chamber of Commerce, other trade associations, Small Business Administration Affiliation Rules Applicability to Paycheck Protection Program [Letter written April 10, 2020 to the Small Business Administration and Treasury Department] available at http://www.centerforcapitalmarkets.com/wp-content/uploads/2020/04/200410_Coalition_PPPAffiliationRules_Fed_Treasury_SBA.pdf?#

Finally, the Federal Reserve should clarify available relief from applicable leverage and capital requirements for depository institutions that hold PPP loans on their balance sheet. The risk weight of PPP loans under the CARES Act is zero. And, on April 9, 2020, the federal banking regulators issued an interim final rule to allow banking organizations to neutralize the effect of PPP loans financed under the PPPLF on leverage capital ratios, but this would effectively require lenders to pay 35 basis points for regulatory relief. However, if the lender funds the loan the risk, weighting is zero but there is no relief for leverage. The Federal Reserve should reconcile this discrepancy for regulatory relief in order to encourage banks to use the PPPLF.

Term Asset-Backed Securities Loan Facility

The Chamber supports the Federal Reserve establishing a Term Asset-Backed Securities Loan Facility (TALF). The Federal Reserve announced the establishment of the TALF on March 23, 2020,[2] wherein it noted it would lend up to $100 billion on a non-resource basis – an amount equal to the market value of the asset-backed securities (ABS) less a haircut – to holders of certain AAA-rated ABS backed by newly and recently originated consumer and small business loans. This announcement noted that eligible securities will include those backed by student loans, auto loans, credit card loans, loans guaranteed by the SBA, and other certain asset classes – all of which support critical aspects of our economy.

The commercial real-estate industry has faced a number of unexpected yet severe headwinds in recent weeks as a result of the pandemic. In general, tenants that were otherwise creditworthy before the crisis are unable to pay rent due to disruptions in their business including government orders to limit their operations. The cashflow challenge is especially acute for nonbank lenders that depend on lines of credit and repurchase agreements with depository institutions that are oftentimes secured by assets with valuations tied to commercial real-estate; the liquidity challenges for these lenders appear to be compounded by the simultaneous demand for liquidity by nearly every sector of the economy.

The Federal Reserve's April 9, 2020 announcement, which includes changes to the TALF term sheet, while positive, appears to fall short of ameliorating major liquidity issues. Importantly, the updated term sheet indicates that TALF-eligible collateral will now include

[2] Board of Governors of the Federal Reserve System, Federal Reserve announces extensive new measures to support the economy (March 23, 2020), available at https://www.federalreserve.gov/newsevents/pressreleases/monetary20200323b.htm

the AAA rated tranches of both outstanding commercial mortgage-backed securities (CMBS) and newly issued collateralized loan obligations (CLOs). There is evidence to suggest that the announcement to add AAA legacy CMBS to the program has already improved liquidity in the sector. The Chamber supports this expansion of TALF, which we believe would help alleviate the extreme funding pressures in the commercial real-estate market during this period of uncertainty.

The Chamber recommends further expansion of the eligible collateral that may be pledged by borrowers under TALF. First, it should be expanded to include new issue conduit CMBS. Second, it should be expanded to include conduit and single asset single borrower (SASB) securities. The Federal Reserve should consider the merits of expanding TALF to non-investment grade securities that support the commercial real-estate market to ensure liquidity is available where it is needed the most without exposing itself to credit losses that would cause a net loss for the program. Furthermore, to the degree possible, information made available to the public about participants in the program should distinguish the credit risk and performance of pledged assets.

The Chamber also broadly supports the Federal Reserve providing liquidity to the secondary market for consumer debt via TALF. At least one asset class that merits clarification is those securities backed by student loans. This market can generally be classified as 1) Federal Family Education Loan Program (FFELP) loans; 2) in-school private student loans; and 3) refinanced private student loans; all of which have distinct characteristics and credit risk. For example, FFELP loans include a guarantee from the federal government, and in-school generally have a higher credit quality than other student loans. Therefore, these securities should be itemized separately and provided the appropriate collateral treatment in order to maximize liquidity for this market.

Additionally, the Federal Reserve should consider simplified customer agreements and documentation requirements for participating in TALF. One of the most time-consuming aspects of the TALF program announced in 2008 was the time it took to get investors onboarded and ready to participate in the program.

Finally, the Federal Reserve should clarify that a U.S. branch or agency of a foreign bank is eligible to participate in TALF. Any limitation would undermine the intent of the CARES Act, which is to quickly provide lending and liquidity to businesses in the U.S., many of which choose to bank with a U.S. branch or agency of a foreign bank. The term sheet released on March 23, 2020, notes "A U.S. company would be defined as a U.S. business entity organized under the laws of the United States or a political subdivision or territory thereof (including such an entity that has a non-U.S. parent company), *or a U.S.*

branch or agency of a foreign bank." The revised April 9, 2020 term sheet removes the explicit reference to a U.S. branch or agency of a foreign bank.

Primary Market Corporate Credit Facility

The Chamber commends the Federal Reserve, with the support of Treasury, for providing up to $750 billion in combined support to eligible lenders through both the Primary Market Corporate Credit Facility (PMCCF) and the Secondary Market Corporate Credit Facility (SMCCF). We support the PMCCF as it will provide an important source of liquidity to companies navigating business challenges as a result of the pandemic. The PMCCF, by directly purchasing corporate debt of eligible domestic investment grade issuers, will serve as an important backstop for corporate debt. However, the Chamber encourages the Federal Reserve to bring greater clarity to the terms and conditions surrounding limits per issuer, the eligibility of issuers, and the documentation, disclosures, and operational mechanics required to access the PMCCF.

<u>Limits per issuer</u>
According to the PMCCF term sheet, the maximum amount of outstanding bonds or loans of an eligible issuer that borrows from the facility may not exceed 130% of the issuer's maximum outstanding bonds or loans on any day between March 22, 2019 and March 22, 2020. Given the importance of the 130% test to issuers as they consider their funding plans, we believe greater clarity is required to address the following questions.

- Is the 130% test applicable only while the issuer has bonds / loans held by the facility?
- Is this percentage a maintenance or incurrence test?
- What are the repercussions of breaching the 130% limit?
- Is the 130% test based on notional value, balance sheet value or another methodology?

<u>Eligibility considerations</u>
The PMCCF is an important component of the Federal Reserve's actions to support businesses during this unprecedented time. However, a number of unanswered questions remain as to eligibility for the PMCCF as pertains to affiliate issuers, holding companies, U.S. subsidiaries of foreign parents, and ratings considerations.

- Are affiliate issuers with the same parent able to access the PMCCF if they independently meet the criteria? Is an issuer rating sufficient or must individual bonds be rated?

- If the holding company is assumed to be the issuer, how does the issuer account for bonds and loans issued to third parties via subsidiaries? Is an issuer rating sufficient or must individual bonds be rated?
- For split-rated issuers, should the higher or lower rating be referenced?
- Are U.S. subsidiaries of foreign parents, with operations primarily in U.S., eligible?
- Is eligibility impacted if an issuer is either (i) owned by a foreign parent or (ii) receives a guarantee from a foreign parent of a U.S. issuer?
- Do secured forms of debt / loans qualify? Do subordinated bonds / loans qualify?
- Will the Federal Reserve consider amending the ratings eligibility to include additional issuers?

Documentation, disclosures, and operational mechanics

Several key implementation questions remain outstanding as issuers consider accessing the PMCCF.

- Who is responsible for setting and approving the list of participants?
- What documentation, disclosures or other readiness must be undertaken by participants?
- Is there a date by which participants need to sign up to access this facility?
- Is the PMCCF available to participants during an issuer's blackout periods?
- Does the facility intend on lending out the securities at a future date?

Secondary Market Corporate Credit Facility

The Chamber supports the Secondary Market Corporate Credit Facility (SMCCF) as it will provide an important source of liquidity in the secondary market to companies navigating business challenges as a result of the pandemic. The SMCCF, by directly purchasing corporate bonds and corporate bond portfolio ETFs, will serve as an important backstop for corporate debt markets. However, the Chamber encourages the Federal Reserve to consider (1) certain modifications to eligible assets and limits per issuer to improve access to the SMCCF and (2) clarifying the terms surrounding eligible issuers, pricing and limits per issuer/ETF, eligible sellers, and documentation, disclosures, and operational mechanics required to access the SMCCF.

Modifications to eligible assets and limits per issuer

The SMCCF has the capacity to help a large portion of the market. However, we are concerned that given the terms and conditions of the facility only a small portion of the market that requires assistance will actually be able to avail themselves of the SMCCF. To ensure that the facility is as impactful as intended, we recommend that the Federal Reserve consider increasing from 5 to 10 years the final maturity of eligible bonds to expand the reach of the program. We also recommend an increase from 1.5% to 2.0% the per issuer cap of the total program size to accommodate issuers with larger debt footprints in the market.

Other eligibility, pricing, and limits per issuer / ETF considerations

We believe greater clarity is required to address the following additional eligibility, pricing, and limits questions.

- Who is responsible for setting and approving the list of participants?
- Are U.S. investors with a foreign parent considered eligible sellers?
- How will "fair market value" pricing be determined?
- Could issuers sell their own debt to the facility that have been purchased in the secondary markets through the ordinary course of market-making?
- How will the Fed allocate the capacity firms could utilize by issuer or seller?

Participation of U.S. branch or agency of a foreign bank

The revised term sheet published on April 9, 2020, now includes a definition of eligible seller.[3] The eligibility of a branch or agency of a foreign bank should be clarified.[4]

Documentation, disclosures, and operational mechanics

Several key implementation questions remain outstanding as issuers consider accessing the SMCCF.

- What documentation, disclosures or other readiness must be undertaken by participants?
- Is there a date by which participants need to sign up to access this facility?
- Does the facility intend on lending out the securities at a future date?
- Does the Fed intend on holding these purchased assets to maturity?

[3] The term sheet for the SMCCF now notes "[e]ach institution from which the Facility purchases securities must be a business that is created or organized in the United States or under the laws of the United States with significant U.S. operations and a majority of U.S.-based employees."
https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200409a2.pdf

[4] See similar comments above regarding the eligibility of a U.S. branch or agency of a foreign bank to participate in TALF

Municipal Liquidity Facility

The Chamber supports the Federal Reserve establishing the Municipal Liquidity Facility (MLF). The facility will purchase up to $500 billion of short-term notes directly from U.S. states (including the District of Columbia) and certain cities and counties. The revenue disruption caused by the coronavirus crisis has severely strained the short-term finances of state and local governments. Businesses of all sizes depend on the critical services provided by state and local governments – maintaining roads, public safety, healthcare, etc. – to operate their businesses. The continuity of these critical services is especially important during this time of uncertainty. The below recommendations are intended to enhance the MLF.

<u>Expand to more issuers</u>
The Municipal Liquidity Facility is restricted to only the largest issuers.[5] This means the vast majority of cities and counties will be ineligible for their debt to be purchased by the MLF. It appears that independent authorities and nonprofit entities are also excluded from the definition of eligible issuer, but this is not clear on the term sheet.

The MLF term sheet suggests eligible issuers may provide liquidity to other issuers.[6] We welcome this suggestion, but it is not immediately clear to us that that eligible issuers would make use of this option. Using eligible issuers as intermediates is impractical and would likely distort the market. Most states and large cities – the eligible issuers – are facing their own fiscal challenges and thus will not likely be completely ameliorated by the MLF. Therefore, it is highly unlikely they would provide liquidity to other issuers. Furthermore, this would require eligible issuers to assume the credit risk of non-eligible issuers, which seems unlikely given the economic uncertainty. Additionally, it is unclear how many states have the authority in their constitutions to lend to cities and municipalities. It is also not immediately clear if eligible issuers have the operational capability to facilitate liquidity for other issuers, but it is reasonable to conclude they would endeavor to do so if provided additional funding.

[5] MLF term sheet states Eligible issuers include "U.S. states, counties with a population of at least two million residents, and U.S. cities with a population of at least one million residents."
https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200409a3.pdf
[6] Ibid. "An Eligible Issuer may use the proceeds of the notes purchased by the SPV to purchase similar notes issued by, or otherwise to assist, political subdivisions and instrumentalities of the relevant State, City, or County for the purposes enumerated in the prior sentence."

The MLF should include an additional allocation of funds to eligible issuers providing liquidity to other issuers. In other words, eligible issuers should be permitted to sell notes to the MLF from other issuers that do not count towards the cap of "up to an aggregate amount of 20% of the general revenue … for fiscal year 2017." Otherwise, it seems unlikely that eligible issuers will allocate funding away from their own financing challenges.

Clarify the funding rate
The term sheet does not describe the interest cost to the issuer. The term sheet simply states that "Pricing will be based on an Eligible Issuer's rating at the time of purchase with details to be provided later." The MLF's required return will clearly determine how much it is used by issuers compared to other funding options.

Commercial Paper Funding Facility

The Chamber wrote to the Federal Reserve Board and the Treasury Department on March 31, 2020, regarding the Commercial Paper Funding Facility. Our letter requested the CPFF be expanded to include Tier 2 issuers and split issuers of commercial paper in order to promote more liquidity in this market without subjecting the facility to substantially higher credit risk.[7] The Federal Reserve – including in its April 9, 2020 announcement regarding other 13(3) facilities – has not indicated if the CPFF will be expanded.

Mortgage Servicing Liquidity

Notably absent from the Federal Reserve's announcement is a liquidity facility to manage the challenges facing servicers in the mortgage market. The federal government has instituted broad forbearance policies but has not provided any liquidity backstop to support the market. Forbearance imposed by the federal government temporarily disrupts the necessary cashflow to for payments that are obligated to investors. The Chamber recommends the Federal Reserve work with the Treasury Department reduce the uncertainty that is currently plaguing this market by providing a liquidity backstop through the creation of an additional 13(3) facility.

[7] U.S. Chamber of Commerce, Commercial Paper Funding Facility issuer eligibility, [Letter written March 31, 2020 to the Federal Reserve Board and Treasury Department] available at http://www.centerforcapitalmarkets.com/wp-content/uploads/2020/04/200331_CoalitionComments_CommercialPaperFundingFacility_Fed_Treasury-Final-3.31.20.pdf?#

This facility should not include any of the corporate governance restrictions that are described in the CARES Act. The CARES Act does not specifically contemplate a mortgage servicing liquidity facility and therefore there is no clear direction from Congress about imposing restrictions on the firms that may elect to use this funding source. Furthermore, where the CARES Act does contemplate corporate governance restrictions (which the Treasury Secretary authority has the authority to waive), they are only applicable to *lending* programs; they are not applicable to *securities*.

Closing

Thank you for considering our input regarding liquidity challenges in our financial markets and our comments on the programs you have proposed to ameliorate these issues. The Chamber is supportive of your efforts and stands ready to assist you with maximizing the benefits of these programs.

The Chamber supports the Federal Reserve providing short-term liquidity during this time of crisis, but we believe it is important that the private market remain the long-term provider of liquidity to the economy. The Federal Reserve serves a vital role as the lender of last resort, which is absolutely required under current economic conditions. Private capital should not be crowded in the long run including when the market is not demonstrating signs of severe stress.

Finally, we are prepared to work with the Treasury Department and the Federal Reserve to request more funding from Congress to backstop 13(3) programs if it becomes clear the liquidity challenges facing the market are more severe than have been previously contemplated.

Very Respectfully,

Tom Quaadman

Cc: Peter Phelan, Deputy Assistant Secretary, U.S. Department of the Treasury

THE UNITED STATES VIRGIN ISLANDS
OFFICE OF THE GOVERNOR
GOVERNMENT HOUSE
Charlotte Amalie, V.I. 00802
340-774-0001

April 13, 2020

The Honorable Jerome H. Powell
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Expansion of Municipal Liquidity Facility to Cover U.S. Territories

Dear Mr. Chair:

On behalf of the Government of the U.S. Virgin Islands (USVI), I write to urge you and your colleagues on the Board of Governors to expand the availability of the Municipal Liquidity Facility to cover the USVI and other U.S. territories. By its terms, as announced on April 9, the Facility only is available to the 50 States and the District of Columbia, as well as large cities and counties. We have no cities or counties large enough to qualify. As a result, this very promising program will provide no benefit to the *American* citizens who live in the USVI (and other U.S. territories).

The omission of the Territories from the Facility could have severely harmful effects on the economy of the USVI. The Virgin Islands is uniquely dependent on a tourism sector that has been frozen because of the pandemic, reducing economic activity that generates 30% of our Gross Domestic Product (GDP) and employs 25% of our civilian labor force to zero. Unemployment claims have jumped to record highs (more than 172% over 2019 Q4), while government revenues have dropped to unprecedented lows. At the same time, the launch of the Territory's major non-tourism industry--the oil refinery on St. Croix--has been significantly delayed by the drastic drop in global oil prices and usage, depriving the government of another expected source of significant revenues.

The loss of substantial revenues in the midst of what would normally be high tourist season (and the period of highest government revenues) will reduce the government's cash on hand to dangerously low levels and jeopardize our ability to make payroll and perform basic governmental functions. The loss of income tax payment revenue by the deferral of tax filing date was implemented without notice to, involvement of, or consideration of impact to mirror code jurisdictions like the USVI and Guam and was not at the fault of the Territories.

The Territory has seen economic devastation before, but never like this: the pandemic is like a hurricane with no end. The Virgin Islands Division of Economic Research has evaluated the likely impact on the Virgin Islands' GDP across four scenarios assuming that the pandemic shutdown lasts 30, 60, 90, or 120 days. Under the 90- and 120-day scenarios--which we believe to be most probable--the Territory's GDP will decline by 12 to 14 percent.

The Territory and its citizens--*American* citizens--urgently need more help if they are to survive this latest threat to their health and safety. Access to the Municipal Lending Facility could help get access to desperately needed financial resources on favorable terms. We need to put more money back into the Territories. We are trying all sources for possible rescue from this incredible crisis that is not of our making or decision making.

Allowing Territorial participation in the Facility would be consistent with Congressional intent. The Coronavirus Economic Stabilization Act of 2020, which appropriated the funds that will provide credit protection for the Municipal Lending Facility, authorizes up to $500 billion in "loans, guarantees, and other investments in support of eligible businesses, States, and municipalities," and expressly defines "States" to include "any of the territories and possessions of the United States." CARES Act §§4002(10), 4003(a), 4027. This is consistent with historical practice: Congress has typically defined a State to include the territories, such as in 15 U.S.C. 69(k) ("The term 'United States' means the several States, the District of Columbia, and the Territories and possessions of the United States.") and 7 U.S.C 150aa(e) (''United States' means any of the States, Territories, or Districts (including possessions and the District of Columbia) of the United States"). In other instances, Congress has specifically defined the Virgin Islands as a State, such as in 15 U.S.C. 1171(b) ("The term 'State' includes the District of Columbia, Puerto Rico, the Virgin Islands, and Guam.").

As noted in the term sheet announcing the Facility, the Board of Governors and the Secretary of the Treasury may make adjustments to the terms and conditions of the Facility. We are aware of no legal impediment to the Board of Governors treating the USVI as a "State" for the purpose of this new Facility, and—as noted—such treatment appears to have been the intent of Congress. We therefore urge you to revise the definition of a "State" to include the USVI and other U.S. territories.

Thank you in advance for your favorable consideration of this important means of helping us rebuild the US Virgin Islands and improve the lives of our fellow Americans.

Sincerely,

Albert Bryan Jr.
Governor

cc: The Board of Governors of the Federal Reserve System
The Honorable Steven Mnuchin, Secretary of the Treasury
The Honorable Stacey Plaskett, Member of Congress

#	Date	Commenter	Affiliation	Comment
1	4/16/2020	Heather Sibbison		April 16, 2020 Re: Municipal Liquidity Facility Dear Sir or Madam: We respectfully provide below certain comments for consideration by the Federal Reserve System ("Federal Reserve") and U.S. Department of the Treasury ("Treasury") regarding the term sheets ("Term Sheets") released by the Federal Reserve on April 9, 2020 for the Municipal Liquidity Facility (the "Program") to support lending to small and mediumsized businesses ("Purpose"). Capitalized terms used but not defined in this letter have the meanings given in the Term Sheets. Pursuant to Title IV of the CARES act, the definition of "State" for purposes of Subchapter A of that title includes any "Indian Tribe." (§4002(10)(E)). Please confirm that a federally-recognized Indian Tribe is an "Eligible Issuer" under the Municipal Liquidity Facility established pursuant to Section 4003 of the CARES act. Please confirm also that the "Limit per State, City, and County" provision of the Municipal Liquidity Facility summary issued on April 9, 2020 applies separately to an Indian Tribe located solely within a single U.S. State and that surrounding U.S. State. Please confirm that Eligible Notes for purchase by the SPV under the Municipal Liquidity Facility include tax-exempt or taxable debt securities issued by an Indian tribal government or governmental instrumentality of an Indian Tribe. Very truly yours, Heather Sibbison, Dentons US LLP
2	5/7/2020	Craig Brandon	Eaton Vance Management	I would like to propose a penalty rate for Eligible Notes issued under the Municipal Liquidity Facility. I propose the following rate schedule: Issuers rated AAA: 3 year Treasury rate + 1.00% Issuers rated AA: 3 year Treasury Rate + 1.25% Issuers rated A: 3 year Treasury rate + 1.75% Issuers rated BBB: 3 year Treasury rate +2.50% The Municipal Bond market trades off of MMD as I mentioned last night. That is the most logical benchmark to use because that is what we use every day when we trade bonds. However, there is no science or analytics backing MMD's AAA curve. It has always been and continues to be one person at MMD's theoretical opinion of where 5.00% AAA bonds should be priced every day along the yield curve. Even though it is THE trading benchmark for the market, we were concerned the Federal Reserve would not be comfortable with the less than robust methodology backing MMD's curve. We also considered using Bloomberg's BVAL curve or ICE Data Service's curve which are highly correlated to MMD's curve with much stronger analytics backing their calculations. However, we were not certain that the Federal Reserve could use a private subscription based AAA curve. Using Treasuries as the benchmark brought up other complications. Historically in the 3 year part of the curve, municipal yields (based on MMD) average between 55% and 85% of Treasury yields, in normal times. So at today's 3-year Treasury rate of 0.24%, a theoretical AAA municipal bond should yield between .13% and 0.20%. However, the municipal market continues to be dislocated, especially in the front of the curve. The current MMD yield is 0.854% or 350% of Treasuries. The concern with using Treasuries as the benchmark is obviously the historic relationship between municipal yields and Treasury yields has broken down and is not a valid basis for computing the penalty rate. Finally, we discussed the fact that the municipal market does not trade off of Treasury rates, it just isn't market convention. However, weighing the different options over a number of conference calls, we decided to recommend using the 3 year Treasury as the benchmark for its transparency and availability during this crisis. However, there are very strong arguments for using BVAL or ICE.

#	Date	Commenter	Affiliation	Comment
				Focusing on the penalty spread to Treasuries, we based our proposal on data provided by our analytics group analyzing historical spreads for the various rating categories. More detailed analysis of our spread calculations have been provided to Melissa Moye at the Federal Reserve. Please feel free to contact me for a more detailed analysis of our calculations
3	4/15/2020	Saqib Bhatti	Action Center on Race and the Economy	We strongly support the creation of the Municipal Liquidity Facility (MLF), but believe it should be greatly expanded to ensure that all municipal issuers have access to affordable long-term credit. When the 2008 financial crisis caused municipal bond markets to freeze, the cost of borrowing for public issuers skyrocketed. Many were forced into risky debt deals on predatory terms that were ticking time bombs for taxpayers. Borrowers like Puerto Rico, Detroit, and Chicago Public Schools are still dealing with the aftermath of the last financial crisis. The Fed's plans to extend credit to municipal issuers are laudable, but fall short of what is needed. All public sector issuers in the United States and its territories should be eligible to sell their debt to the MLF. The MLF should be authorized to buy long-term debt with maturities of up to 30 years. The MLF should offer public sector issuers near zero interest rates. Finally, issuers should be able to use the proceeds from debt sold to the MLF for all uses that are permitted for tax-exempt municipal bonds. The municipal bond market forces taxpayers to pay a premium to banks and investors to access credit that the Fed could provide them for a fraction of the cost. The entire market is less than $4 trillion-a fraction of the funds made available to the private sector in light of the 2008 financial crisis and the COVID-19 pandemic. The Fed should expand the MLF to enact monetary policy that puts taxpayers first.
4	4/24/2020	Karen Wood	Maine Municipal Bond Bank	Hi, I work for the Maine Municipal Bond Bank. We are looking into lending to our borrowers using the Municipal Liquidity Facility. None of our counties our towns meet the population requirements however it appears our organization may borrower on their behalf. We have many questions regarding the program and how it will work. Can you direct me to someone who could help with those questions or let me know when more details may be available on your website. Thanks, Karen
5	4/27/2020	Juan ONeill	City of Newark	The Municipal Liquidity Lending Facility Term Sheet states that cities and municipalities with population of one million or more are elligibile to borrow money from the program. Newark is the largest city in New Jersey with annual gross revenues $600 million; $100 million of this amount comes from a lease of its airport and seaport by the Port Authority of New York and New Jersey. Can the city pledge a portion of the income stream from the lease as elligibility,?
6	5/5/2020	Sissy Pace	Grant Parish Police Jury	Good afternoon, I am having to hire two employees effective 5/18/2020. One medical assistant to sit at the door of the Grant Parish Courthouse and screen individuals who need access to a department in the courthouse and another individual to assist our maintenance employee with sanitizing the facility once we are back open. (we normally have inmates to help him) Does our parish qualify for the Municipal Liquidity Funds to pay these two individuals, and if so how do I apply?
7	4/10/2020	Daniel Kozloff	PFM	Hello, thank you for all that you're doing throughout the current crisis. In the Municipal Liquidity Facility term sheet there is a link to state level finances for FY17 for determining the 20% allocation for note purchases. What data will be used for the eligible Cities and Counties? Is there a centralized location that will be used as the official figures for this data? Many thanks.
8	4/15/2020	Brett Bolton	Bond Dealers of America	April 15, 2020 Submitted Electronically Board of Governors of the Federal Reserve System 20th Street and Constitution Avenue NW Washington DC 20551

#	Date	Commenter	Affiliation	Comment
				Subject: Main Street Lending Facilities Ladies and gentlemen, The Bond Dealers of America (BOA) is pleased to provide comments on the Federal Reserve's April 9, 2020 announcement of the formation of the Municipal Liquidity Facility (M LF).1 This is a temporary program to facilitate Fed financing for certain short-term cash management notes issued by state and local governments. We support the Fed's efforts to provide emergency liquidity to states and localities facing severe uncertainties as a result of the virus crisis. The April 9 announcement indicated that certain terms and features of the program are still being resolved. In that context, BOA offers our recommendations for key elements of the MLF. BOA is the only DC-based group exclusively representing the interests of securities dealers and banks focused on the US fixed income markets. Scope of participation. The Fed's announcement specifies that only states, counties with populations of at least 2 million, and cities with populations of at least one million are eligible to access the MLF directly. The Fed provides that "States may request that the SPV purchase Eligible Notes in excess of the applicable limit in order to assist political subdivisions and instrumentalities that are not eligible for the Facility." Unfortunately, the cut-off for direct issuer participation is much too high. By our calculation, only 24 local governments nationwide would qualify for direct access to the Fed program. This would leave tens of thousands of local governments and authorities unable to access the facility directly. We urge the Fed to consider opening the facility to a broader group of local governments. The Fed's announcement suggests that states are intended to be the conduit whereby local government units below the population thresholds access the program. First, some states may be legally or constitutionally prohibited from serving this role on behalf of their local governments. Also, some states may be limited in the volume of debt they can incur, even for debt that is nominally the obligation of local government units. Second, to the extent that states are the conduit for local government access to the MLF, it is vital that the Fed explicitly indemnify states from losses associated with defaults and other credit events by the "downstream" local borrowers who will access the facility through their state governments. While states may in some cases be able to serve the function of administrator for participating local governments, states are most definitely not in a position to absorb default losses.
9	4/28/2020	Jessie Wei	Municipality of Anchorage	Hello - I work on debt issuances for our local city government in Alaska, and I am excited to read about your MLF SPV program. Could you please email me links or more information with regards to how we can apply for the SPV funds, what documentations are needed etc.? Thank you so much. I have signed up to get alerts from you regarding this program also. Looking forward to hearing more information about this program. Regards, Jessie Ph: 907-343-6614 Email: jessie.wei@anchorageak.gov
10	4/16/2020	Daniel Kozloff	PFM	Thank you for review of the below questions related to the Municipal Liquidity Facility. Submission Part 3: - What are the specific requirements on ratings? o How many and by which agencies? o Is a new short-term rating required or will short- or long-term ratings received by eligible issuers over the last X months suffice? - Can the Note proceeds be used to pay COI other than the Origination Fee? - Will the Notes settle through DTC? - Is their direction on how unspent proceeds should be handled? Do they need to be used for optional redemption? - May funds be invested prior being spent? Is there additional guidance beyond local and IRS laws that inform investment decisions?
11	4/28/2020	Darrell Dixon	North Delta Planning &	I am looking for any information how Mississippi state and local governments can and will benefit from the Municipal Liquidity Facility. If the facility is an existing entity under the Federal Reserve, how will the COVID-19 directed actions differ from prior activities?

#	Date	Commenter	Affiliation	Comment
			Development District, Inc.	
12	5/8/2020	THOMAS COCHRAN	Northeast-Midwest Institute	When will the MLF start buying notes?
13	5/8/2020	Aarib Thompson		For the political subdivisions port of MLF, will communities under 250,000 be able to participate if they fall under their state government?
14	4/21/2020	ben wilson	SUNY Cortland	Which states and cities have taken advantage of this program. Will this data be published? Are there discussions about expanding this program to smaller municipalities?
15	4/16/2020	B. Salman Banaei	IHS Markit's	450 W 33rd St New York, NY 10001 United States + 1 212 931 4900 Phone + 1 212 221 9860 Fax ihsmarkit.com Board of Governors of the Federal Reserve System 5 1HSMarkit Staff for the Municipal Loan Facility and Primary Corporate Credit Facility Constitution Ave NW &, 20th St NW Washington, DC 20551 April 16, 2020 Re: Municipal Liquidity Facility and Primary Corporate Credit Facility To Whom it May Concern: IHS Markit1 is pleased to comment on the Board of Governors of the Federal Reserve System ("Board")'s new Municipal Liquidity Facility ("MLF") announced on Thursday, April 9, 2020 and the Primary Corporate Credit Facility ("PMCCF") announced on March 23, 2020. We note that we will provide a separate comment letter in connection with the new Main Street New Loan Facility and Main Street Existing Loan Facility programs, announced on Thursday, April 9, 2020. As the Board and Board staff embark on unprecedented efforts to contain the economic damage caused by the novel COVID-19 pandemic, we hope these comments can ensure that the Programs achieve their goal to "enhance support for small and mid-sized businesses that were in good financial standing before the crisis" in a timely fashion.2 I. Executive Summary As the leading fintech service provider for US municipal (and corporate) debt primary markets, and as discussed in more detail below, we (1) invite the Board to utilize our primary market Global Markets Group platforms to effectively engage primary muni and corporate debt markets, (2) with no licensing fee through 2020,

#	Date	Commenter	Affiliation	Comment
				and (3) encourage the Board to consider leveraging IHS Markit's pricing and reference data to enrich their understanding of primary and secondary municipal (and corporate) debt markets. II. Background on IHS Markit The IHS Markit3 Global Markets Group ("GMG") suite of products for fixed income focus on 1 IHS Markit is a global information and services company that provides data, insight, and solutions across 17 industries. IHS Markit is a NASDAQ-listed public company under the ticker "INFO." IHS Markit has approximately 15,000 employees in 35 countries, including over 5,000 employees in the United States with offices in 21 states and the District of Columbia. Please see https://www.ihsmarkit.com for more information. 2 Federal Reserve takes additional actions to provide up to $2.3 trillion in loans to support the economy, Apr. 9, 2020, https ://www.federalreserve.gov/newsevents/pressreleases/monetary20200409a.htm. 3 IHS Markit Loan Platforms, https ://ihsmarkit.com/products/loan-platforms.html. ~ IHS Markit the primary markets - from origination to settlement workflows. 4 These primary market platforms represent the industry standard for bond origination technology, handling the majority of daily bond issuance across the globe. More than 95% of global new issuance deal terms, orders, updates, and allocations are transmitted across our lssueNet network - giving all participants a consistent status view. lssueNet is the only network that enables real time rapid exchange of orders and allocations between banks during the syndication new issuance process. GMG Deal Monitor enables primary market participants to view new deal terms, pricings, and order allocations. In the US specifically, we are the predominant solution for Municipal Bond issuance, with over 97% of new municipal bonds leveraging our platform for origination. In addition to all major broker-dealers, we provide the technology that allows tens of thousands of US municipal issuers to manager their debt capital raising process on an annual basis. In addition, our comprehensive Pricing and Reference Data offerings enable customers to improve operational efficiency and supports both intraday decision-making, price discovery, valuation, and risk management processes.5 In addition to offering comprehensive bond Pricing Data, 6 I HS Markit's Reference Data delivers deal terms and conditions data and new issue information for global government, sovereign, agency, corporate and municipal bonds throughout their entire lifecycle, from new issuance to maturity. IHS Markit Reference Data aggregates and validates current detailed global bond information, including issuer details, currency, maturity, income and corporate actions. Our pricing service prices over 1.1 million municipal bonds daily - including tax-exempt investment grade, high yield and taxable municipal bonds. Ill. Discussion 1. We invite the Board to utilize our primary market platforms to effectively engage primary muni and corporate debt markets

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				The Board may want to consider our new issue tracking platform, Deal Monitor, in order to monitor historical, current and pending primary market offerings, including the short-term note offerings contemplated under the MLF. Deal Monitor provides real-time access to deal terms and pricing of new issue corporate and municipal bonds. The data transmitted through Deal Monitor can also be aggregated to assess the evolution of deal terms as the Board's actions to provide liquidity to credit markets unfold over time. Deal Monitor's central aggregation of all offerings is currently the only available way market participants can gain consistent visibility and in-depth access to all stages of a deal's pricing. For municipals, Deal Monitor also includes the market's official weekly calendar and forward calendar to track the live status of all historical, current and pending offerings. Deal Monitor 4 See lpreo by IHS Markit, https://ipreo.com/. 5 See https://ihsmarkit.com/products/pricing-and-reference-data.html. 6 See IHS Markit Pricing Data, https://ihsmarkit.com/products/pricing-data.html ("IHS Markit provides financial pricing data and tools for bonds, CDS and loans, as well as fair value data, equity volatility data and securities lending data for stocks and bonds. Our service delivers detailed liquidity metrics and transparent information about pricing sources and methodologies, with flexible delivery options tailored to the needs of our clients ."). 2 5 IHS Markit also provides insight into the current market for short-term note offerings contemplated under the MLF. Other IHS Markit GMG tools can further enable the Board to engage with the entire network of municipal issuers, underwriters, and other primary market participants. Among other things, these tools can enable the Board access data regarding the distribution of deal terms and to communicate orders. 2. We are willing to offer the Board access to the aforementioned GMG primary market platforms without a license fee through the end of 2020 IHS Markit and the Board share a common interest in stabilizing financial markets and the real economy. We are willing to offer the aforementioned GMG primary market platforms for accessing the primary credit markets to the Board with no licensing fee through the end of 2020. 3. The Board should consider leveraging IHS Markit's pricing and reference data to enrich their understanding of primary and secondary municipal (and corporate) debt markets IHS Markit is a key source of data and infrastructure supporting the US and global credit markets and would like to offer its expertise, pricing and reference data in order to assist the Board and its relevant investment manager(s) as the Board takes unprecedented actions to support the US economy. We could, for example, provide the Board and/or its investment manager(s) independent pricing data to identify trends and opportunities and monitor performance over time. Our reference data products could also provide the Board the ability to manage and price its portfolio of municipal and corporate bonds and loans in real-time. * * * * * IHS Markit appreciates the opportunity to provide these comments to the Board. We would be happy to elaborate on or further discuss any of the points addressed above. If you would like to follow up on our offer to work collaboratively to support the MLF and PMCCF, please

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				do not hesitate to contact Ed Chidsey, Partner and Senior Vice President, + 1 914-391-8177, ed.chidsey@ihsmarkit.com .
16	4/17/2020	Leslie Norwood	SIFMA	The Securities Industry and Financial Markets Association ("SIFMA") applauds the Federal Reserve's ("Fed's") April 9 announcement of its Municipal Liquidity Facility ("MLF") as a historic action, and a critical step in implementing Section 4003 of the Coronavirus Aid, Relief, and Economic Security Act (P.L. 116-136, the "CARES Act"). SIFMA's members include the broker-dealers and banks which underwrite and trade the vast majority of municipal securities across each of the United States. We appreciate the opportunity to provide technical comments on the municipal securities market and recommendations on the refinement of the terms of the MLF. Time Is of Essence States, cities, counties, and instrumentalities thereof, including conduit non-profit borrowers, such as hospitals and health care facilities (collectively, "Issuers") have a critical need for short term funding as a result of the COVID-19 pandemic. Many issuers are experiencing cash flow issues due to the extension of tax payment deadlines. Additionally, Issuers are experiencing higher costs due to pandemic related spending as well as tax revenue reductions. Due to the urgent needs of Issuers, time is of essence in finalizing the terms of the MLF and making the facility operational. Expand Eligible Issuers The MLF term sheet described Eligible Issuers as states, counties with populations of at least 2 million, and cities with populations of at least one million. SIFMA believes that this definition of Eligible Issuers is too limited and many states have constitutional and statutory issues about borrowing beyond the fiscal year for cash flow reasons as well as their legal ability to lend to local governments. SIFMA recommends the Fed consider expanding the definition to include more than the current 75 Eligible Issuers. One construct that may be workable would be to include all state authorities, including bistate or multi-state entities, and a broader group of local governments. The Fed may also consider allowing a state agency or authority to serve as a, or appoint a separate, conduit to issue bonds on behalf of local government borrowers. SIFMA members feel that an expanded definition of Eligible Issuers would aid the Fed in achieving the goals as set forth in the CARES Act. Extend Program Purchase Termination SIFMA feels it would be very helpful to extend purchases by the MLF beyond September 30. Permitting the MLF to purchase securities through December 31 would permit Eligible Issuers to set up any necessary mechanisms for potential downstream lending to smaller or other non-Eligible Issuers or conduit borrowers. Such mechanisms in many jurisdictions would include legislation, regulation, and/or administrative procedures. Set Rates as Close to Market as Possible SIFMA members feel it is important for the Fed to set the rates under the MLF to be as close to market rate as possible to avoid additional market disruptions. Pricing could be set as a spread to any one of a number of the relevant curves, with a grid detailing premiums based on credit ratings. We ask the Fed consider publishing a pricing grid daily at 9 am which reflects updated market levels, so that all Eligible Issuers understand their relative alternatives. The Eligible Issuer's pricing could either be set by their rating as of a date certain, or be based on a "flex grid" model, whereby if the issuer's rating changed before the completion of the Fed's purchase, then pricing would reflect such change. Grid pricing could be based on issuer ratings, ratings on parity debt, or other indicia of equivalent ratings. Clear Documentation Requirements

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				It would be important to determine if the Fed's MLF purchases should be able to be liquidated prior to maturity, or if the Fed intends to hold these securities until maturity. If the Fed is seeking any liquidity in these securities, DTCC eligibility and assignation of CUSIP numbers should be required. Issuer representations, basic disclosure and opinions that are typical for at least limited offerings of securities should be considered. If SIFMA or its members can provide any further information or expertise about the operation of the municipal securities market that might be helpful generally or in your work refining the Municipal Liquidity Facility, please do not hesitate to contact Leslie Norwood at 212.313.1130 or via e-mail at LNorwood@sifma.org.
17	5/4/2020	David Park	National League of Cities	Hi, will you be reporting on which localities have applied to the facility and for how much any time soon? Thanks, David
18	4/24/2020	Clint Mueller	ACCG	Has the guidelines for the MLF been established and where do qualifying states and local governments go to sign up?
19	4/10/2020	JoLinda Herring	Bryant Miller Olive P.A.	Three questions related to the Municipal Liquidity Facility: (1) Is an existing entity that was formed through interlocal agreement to make loans to governmental entities in the state be an Eligible Issuer if the State designates it an "Eligible Issuer" on behalf of the state? (2) Do the ultimate obligations (loans) have to comply with tax-exempt cash flow borrowings under the IRS Code? (3) Is it possible to extend the purchase deadline past September 30, 2020?
20	4/16/2020	Silvia Shin	Saul Ewing Arnstein & Lehr	Municipal clients have passed along various inquiries w/r/t the MLF program. Below is a summary of such questions: 1) Does the pricing for each municipal loan contemplate a fixed or variable rate of interest, and will the MLF program provide disclosure on borrowing spreads based on municipal credit ratings? 2) What is the expected timing on announcing a process and providing guidance on an acceptable structure for eligible notes as well as specifics on required legal opinions and disclosures? 3) The MLF notice provides that an eligible issuer may issue eligible notes up to 20% of FY 2017 own source revenues. Many issuers have expressed a desire to issue TRANs in tranches, as needed, to minimize debt service and origination fees as well as to closely match actual borrowing needs, as opposed to maxing out the full eligible amount all at once. The notice contemplates multiple issuances of notes. How will such a concept work in practice? Will there be a set time frame for such issuances? Alternatively, would the Federal Reserve consider a structure where the facility acts as a line-of-credit up to the full 20% amount through the 24-month maturity period ending September 30, 2022?
21	4/28/2020	Timothy Eismeier	NW Financial Group, LLC	Good afternoon: We are a municipal advisory firm with a client that is newly eligible for the MLF program based on the new criteria. Given the language below, we are curious as to what the approximate interest rate would be for an approximately $50 million tax exempt note for a Aa3/AA-/AA- issuer would be: "Under Section 13(3) of the Federal Reserve Act and the Board's Regulation A, the interest rate on the Eligible Notes must be a penalty rate, meaning a rate that is a premium to the market rate in normal circumstances, affords liquidity in unusual and exigent circumstances, and encourages repayment of the credit and discourages use of the Facility as the unusual and exigent circumstances that motivated the program recede and economic conditions normalize." Please let me know if you have any kind of indicative rate you could share. Thanks, Tim
22	4/16/2020	Erick Renderos	City of San Diego	City of San Diego | Municipal Liquidity Facility Questions: 1. Is the MLF Program lending program offering taxable, tax exempt, or both instruments depending on the uses for the funds? One common note issue anticipated on behalf of self and other agencies or multiple notes by an issuer permitted.

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				2. Will there be prepayment penalties or other fees that need to be paid besides accrued interest owed on the note at the time of a prepayment? 3. What is the timeline for the receipt of funds by the agency, from the application stage, to pre-approval notification, to transfer of funds? The timeline is critical to evaluate alternatives including primary markets for timely cash availability for agency operations. 4. Does Fed require a short-term rating for the main borrower? Given time and cost to obtain new ratings, consideration should be given for an existing issuer long term rating if it is current (a rating issued 12 months or less). 5. Please outline in the application template what core documents are required of the agency to close the lending and transfer funds. 6. What reinvestment restrictions, if any, will be placed on unused proceeds? Are the investment earnings eligible for related expenditures permitted by the program. 7. Can MLF be used to borrow on behalf of non-profit corporations affiliated with the City that are impacted by COVID-19? 8. Upon receiving pre-approval, can borrowing occur as needed in multiple tranches over time or is limited to one time?
23	4/9/2020	Pamela Kelly	Wye River Group	Concerning eligibility for the Municipal Facility, would a State agency (with separate issuing authority) that provides utility services to two counties (with adequate population) be eligible under the program? Appreciate your feedback so that we can advise our client.
24	4/14/2020	Rachel May	New York State Senate	I have concerns about two key issues with respect to municipal lending that will be determinative in the success of the program in addressing state and local needs. Two years is too short for maturity, but if it must remain that short, refinancing should be an option. In addition pricing should explicitly reflect spreads available in the muni market as of the beginning of 2020. Currently, the facility is limited to notes that mature within 24 months. This is much too short and will limit real ability to take advantage of the facility even in cases of need. Requiring all municipalities benefiting from these purchases to simultaneously refinance this debt just two years from now will create significant strain in the municipal markets at that time and become a drag on economic recovery. One way to address this issue would be to provide guaranteed refinancing of the notes after the two year maturity date at the initial interest rate. The base maturity should also be lengthened. The term sheet states that pricing will be determined based on the credit ratings of the issuer, with details to be provided later. Pricing should be tied to a low risk premium over SOFR or the Federal Funds Rate, with premiums similar to the risk premium evident in the municipal markets early in 2020 before the impact of the Coronavirus pandemic.
25	4/23/2020	Natalie Cohen	National Municipal Research	Is the $35 billion reserve available to states that set up programs for their local governments -- to cover losses? Seems like the states and large municipalities can a) enter the short term market on their own b) wouldn't need a loss reserve... whereas, smaller and weaker entities might have trouble repaying. Is there any consideration to buying directly from a broader group? several states already have active note markets for smaller units like school districts and small municipalities. The size of the liquidity facility is large -- larger than the annual borrowing issuance in the municipal market and a multiple of the short term markets (including total outstanding). Is there consideration being given to repurposing the program for longer term debt to help municipal market stability? thanks
26	4/9/2020	BRIAN ANDREWS	HALLANDALE BEACH FLORIDA	seeking information on how our city can apply for this Municipal Liquidity funding under the Cares Act for Coronavirus.
27	4/16/2020	Tom Quaadman	U.S. Chamber of Commerce	(Excerpt from letter submitted on April 16, 2020) The Municipal Liquidity Facility is restricted to only the largest issuers.5 This means the vast majority of cities and counties will be ineligible for their debt to be purchased by the MLF. It appears that independent authorities and nonprofit entities are also excluded from the definition of eligible issuer, but this is not clear on the term sheet. The MLF should include an additional allocation of funds to eligible issuers providing liquidity to other issuers. In other words, eligible issuers should be permitted to sell notes to the MLF from other issuers that do not count towards the cap of "up to an aggregate amount of 20% of the general revenue . for fiscal year 2017." The term sheet does not describe the interest cost to the issuer.

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28	4/9/2020	Joseph Simenic	Port Authority of NY&NJ	If the Port Authority of New York and New Jersey, as an independent entity and for which no state pledges its credit, meets the definition of a state as designated under Section 4002(10)(D) of the CARES Act, may it directly access the municipal liquidity facility? Section 4002(10) STATE.-The term "State" means- (A) any of the several States; (B) the District of Columbia; (C) any of the territories and possessions of the United States; (D) any bi-State or multi-State entity; and (E) any Indian Tribe. Thank you, Joe Simenic Program Director Office of the Chief Financial Officer The Port Authority of New York & New Jersey 917-565-7184 Jsimenic@panynj.gov
29	4/14/2020	Dennis Weakley		This support can be critical to states and localities seeking to address revenue gaps during the current crisis. However I have concerns about two key issues that will be determinative in the success of the program in addressing state and local needs. The maturity term of the lending should be extended from two years, or provision should be made to finance refinancing the initial loans for an extended period, or both. In addition pricing should explicitly reflect spreads available in the muni market as of the beginning of 2020. Currently, the facility is limited to notes that mature within 24 months. This is much too short and will limit real ability to take advantage of the facility even in cases of need. Requiring all municipalities benefiting from these purchases to simultaneously refinance this debt just two years from now will create significant strain in the municipal markets at that time and become a drag on economic recovery. One way to address this issue would be to provide guaranteed refinancing of the notes after the two year maturity date at the initial interest rate. The base maturity should also be lengthened. The term sheet states that pricing will be determined based on the credit ratings of the issuer, with details to be provided later. Pricing should be tied to a low risk premium over SOFR or the Federal Funds Rate, with premiums similar to the risk premium evident in the municipal markets early in 2020 before the impact of the Coronavirus pandemic.
30	4/14/2020	David Carlucci	NYS Senate	This support can be critical to states and localities seeking to address revenue gaps during the current crisis. However I have concerns about two key issues that will be determinative in the success of the program in addressing state and local needs. The maturity term of the lending should be extended from two years, or provision should be made to finance refinancing the initial loans for an extended period, or both. In addition pricing should explicitly reflect spreads available in the muni market as of the beginning of 2020. Currently, the facility is limited to notes that mature within 24 months. This is much too short and will limit real ability to take advantage of the facility even in cases of need. Requiring all municipalities benefiting from these purchases to simultaneously refinance this debt just two years from now will create significant strain in the municipal markets at that time and become a drag on economic recovery. One way to address this issue would be to provide guaranteed refinancing of the notes after the two year maturity date at the initial interest rate. The base maturity should also be lengthened. The term sheet states that pricing will be determined based on the credit ratings of the issuer, with details to be provided later. Pricing should be tied to a low risk premium over SOFR or the Federal

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				Funds Rate, with premiums similar to the risk premium evident in the municipal markets early in 2020 before the impact of the Coronavirus pandemic.
31	4/15/2020	Jen Metzger	New York State Senate	This support can be critical to states and localities seeking to address revenue gaps during the current crisis. However I have concerns about two key issues that will be determinative in the success of the program in addressing state and local needs. The maturity term of the lending should be extended from two years, or provision should be made to finance refinancing the initial loans for an extended period, or both. In addition pricing should explicitly reflect spreads available in the muni market as of the beginning of 2020. Currently, the facility is limited to notes that mature within 24 months. This is much too short and will limit real ability to take advantage of the facility even in cases of need. Requiring all municipalities benefiting from these purchases to simultaneously refinance this debt just two years from now will create significant strain in the municipal markets at that time and become a drag on economic recovery. One way to address this issue would be to provide guaranteed refinancing of the notes after the two year maturity date at the initial interest rate. The base maturity should also be lengthened. The term sheet states that pricing will be determined based on the credit ratings of the issuer, with details to be provided later. Pricing should be tied to a low risk premium over SOFR or the Federal Funds Rate, with premiums similar to the risk premium evident in the municipal markets early in 2020 before the impact of the Coronavirus pandemic.
32	4/14/2020	Becky Taylor	Georgia Municipal Association	While we appreciate the efforts of the Federal Reserve to provide mechanisms to assist states and local governments during the COVID-19 pandemic, The Georgia Municipal Association, representing all 538 Georgia cities which all under 1 million population, believes the program as currently structured will have limited value to most cities in Georgia. _ While states are allowed to purchase notes of smaller jurisdictions, there is no mandate requiring them to do so. _ Eligible Notes are tax anticipation notes, tax and revenue anticipation notes, and bond anticipation notes, and another similar short-term note issued by Eligible Issuers. The note may not have a maturity date later than 24 months from the date of issuance. In other words, a municipality has to pay back the loan within 2 years. Loan forgiveness is prohibited. Bond funding for longer term issuances would be more beneficial to cities because there will be long term, residual effects and needs resulting from the impact of the pandemic. _ While cities certainly have short term cash flow needs, borrowing funds through this program could simply result in pushing the city's problems down the line for a year or two. _ TANs and other short term notes could be problematic for cities facing revenue declines, risking insolvency for communities when our residents need us the most.
33	4/16/2020	Jonas Shaende	Fiscal Policy Institute	The creation of the Municipal Liquidity Facility is a welcome and much needed first step in the right direction. New York State is projected to face a historic revenue shortfall of almost 13 percent of the state's budget. The delay of the federal tax filing date for three months amplifies the problem brought about by the sudden stop due to the COVID-19. The Federal Reserve is in the position to play an important role in stabilizing the economy. To be successful and effective, the program must be run transparently and with proper oversight. The Fed must leverage its board and the community of regional experts to build appropriate oversight mechanisms. The lending standards, practices and outcomes must be regularly disclosed for public information and commentary. States and municipalities dealing with the drastic economic contraction must be given access to zero-rate loans and origination fees must be waved for all qualified borrowers. The function of the new facility must be evaluated after a reasonable time in operation, with a view to extending lending terms and providing borrowers with options to rollover their debt. Additionally, smaller municipalities and their authorized agents must be granted equal access to the facility. The Fiscal Policy Institute encourages the Federal Reserve to engage in a complimentary counter-cyclical monetary policy at the state and local level to help our communities withstand the crisis.
34	4/13/2020	Joseph Sierputowski	Franklin County Auditor	Hello, My name is Joe Sierputowski. I am a policy and strategic initiatives fellow with the Franklin County Auditor in Columbus, Ohio. Currently, my office is researching different ways of maintaining the solvency of municipalities in our county and across the State of Ohio. As part of that, I am writing to clear up some questions I had about the mechanics of the new Municipal Liquidity Facility. I realize this program has just recently been set up, but I

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				was wondering what the application process was? How do states apply for funding under the MLF, and what are the criteria which the Fed will use to determine whether to grant funding under this facility? Furthermore, it was mentioned that a state could request funding in excess of 20% of its total tax revenue as long as that money is going toward supporting local governments, a topic of interest because none of Ohio's cities or counties meet the population thresholds for funding. What are the parameters that determine whether such a request will be granted? Finally, who actually decides whether to grant this funding? Would it, in our case, be up to the Federal Reserve Bank of Cleveland to say whether Ohio's request was granted? I would greatly appreciate any information you could share, and I hope everyone in your office is staying safe and sane in these strange times. Thanks in advance!
35	4/16/2020	Michael Kink	Strong Economy For All Coalition	We encourage the Fed to adjust the terms of the new municipal facility to allow longer-term borrowing, cheaper rates, rollover of debt where necessary, and more access by more issuers. * Longer terms -- up to ten years Forcing state and local governments into two-year borrowing is unnecessary & impractical. Longer-term notes allow longer-term policymaking on revenue consistent with current estimates on the pace of recovery. * Cheaper rates -- should be near-zero interest The Fed should provide loans and liquidity at the lowest possible interest rates: "zero interest," as the President has recently said. * Automatic rollover options The Fed can carry municipal debt over longer terms, unlike commercial banks with a fiduciary responsibility to shareholders. The Fed is responsible to the public, with a mandate of full employment and broad prosperity. Carrying municipal debt over longer terms fulfills these responsibilities better than short-term payback. * More access by more issuers including smaller cities/counties/school districts/authorities Many political subdivisions in New York issue municipal debt as allowed by the State constitution. The draft term sheet requires most local and county governments and all school districts and authorities to access the facility only through the good graces of state government. The facility would provide more effectively serve the public interest if all issuers had access to the facility directly.
36	4/14/2020	Alessandra Biaggi	New York State Senate	This support can be critical to states and localities seeking to address revenue gaps during the current crisis. However I have concerns about two key issues that will be determinative in the success of the program in addressing state and local needs. The maturity term of the lending should be extended from two years, or provision should be made to finance refinancing the initial loans for an extended period, or both. In addition pricing should explicitly reflect spreads available in the muni market as of the beginning of 2020. Currently, the facility is limited to notes that mature within 24 months. This is much too short and will limit real ability to take advantage of the facility even in cases of need. Requiring all municipalities benefiting from these purchases to simultaneously refinance this debt just two years from now will create significant strain in the municipal markets at that time and become a drag on economic recovery. One way to address this issue would be to provide guaranteed refinancing of the notes after the two year maturity date at the initial interest rate. The base maturity should also be lengthened. The term sheet states that pricing will be determined based on the credit ratings of the issuer, with details to be provided later. Pricing should be tied to a low risk premium over SOFR or the Federal Funds Rate, with premiums similar to the risk premium evident in the municipal markets early in 2020 before the impact of the Coronavirus pandemic.
37	4/14/2020	Liz Krueger	New York State	This support can be critical to states and localities seeking to address revenue gaps during the current crisis. However I have concerns about two key issues that will be determinative in the success of the program in addressing state and local needs. The maturity term of the lending should be extended from two years, or provision should be made to finance refinancing the initial loans for an extended period, or both. In addition pricing

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38	4/15/2020	Julia Salazar	New York State Senate	This support can be critical to states and localities seeking to address revenue gaps during the current crisis. However I have concerns about two key issues that will be determinative in the success of the program in addressing state and local needs. The maturity term of the lending should be extended from two years, or provision should be made to finance refinancing the initial loans for an extended period, or both. In addition pricing should explicitly reflect spreads available in the muni market as of the beginning of 2020. Currently, the facility is limited to notes that mature within 24 months. This is much too short and will limit real ability to take advantage of the facility even in cases of need. Requiring all municipalities benefiting from these purchases to simultaneously refinance this debt just two years from now will create significant strain in the municipal markets at that time and become a drag on economic recovery. One way to address this issue would be to provide guaranteed refinancing of the notes after the two year maturity date at the initial interest rate. The base maturity should also be lengthened. The term sheet states that pricing will be determined based on the credit ratings of the issuer, with details to be provided later. Pricing should be tied to a low risk premium over SOFR or the Federal Funds Rate, with premiums similar to the risk premium evident in the municipal markets early in 2020 before the impact of the Coronavirus pandemic.
39	4/16/2020	Margret Lindstrom		I live in Erie County, New York. Currently, the proposed municipal lending policy is limited to metros with 1 million and counties with 2 million. Eligibility should be broadened. Opening the facility to all cities and counties with over a half million population would include less than one hundred and eighty borrowers as opposed to the current 76. Opening the facility to cities and counties with a population over 100,000 would include fewer than 1000 borrowers. Expanding eligibility would allow my county to apply for and receive lending. As a Great Lakes city, Buffalo has made tremendous strides to build a new healthcare and clean-manufacturing economy, but we are incredibly vulnerable to economic setbacks. Please expand lending qualifications so we can continue to thrive.
40	4/16/2020	Brian Egan	National Association of State Treasurer	On behalf of the nation's State Treasurers and state financial officials we represent, we appreciate your continued efforts to stabilize our markets and maintain access to credit for municipal issuers as they combat the COVID-19 pandemic. We also applaud your announcement of a Municipal Liquidity Facility (MLF), which we believe has the potential to alleviate historically large borrowing needs by providing direct credit access to the nation's largest issuers. Ultimately, the utility of the MLF will be determined by its borrowing rates, barriers to access, terms and other key details. As you develop these details, we urge you to prioritize setting fair and competitive rates, acknowledge state-by-state legal restrictions, and to strike a balance between the need for useful disclosure and timely access for issuers to this credit. We must also acknowledge that the facility limits direct access to fewer than 80 issuers and excludes direct access to territories and smaller issuers who need credit most during these times. While the MLF does permit states to borrow beyond their needs to then sub-lend downstream to their local governments - legal, constitutional, credit risk and other practical barriers make

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				it unlikely that this would occur uniformly throughout the 50 states and D.C. In addition, due to the uncertainty on the term of current actions in response to the current COVID-19 pandemic, we suggest that the termination date be extended beyond September 30, 2020. The MLF is a significant, historic and necessary first step in aiding larger issuers, particularly as they face delayed income tax revenues resulting from the IRS's decision to delay tax filing deadlines. We now believe the Federal Reserve can provide the most significant next step in relief for issuers by developing a second facility aimed at providing relief to the secondary municipal securities market. Over the past few weeks, an historic cash crunch has caused unprecedented turbulence in the secondary market, which drives valuations of primary market issues. The market has recently thawed, but it has done so largely based on expectations, resulting from the passage of the CARES Act, that the Federal Reserve will take additional actions to stabilize the market. While the weekly outflows have lowered from those seen in mid-March, we continue to see outflows well above $1 billion per week. Even if the market switched to inflows of $1 to $1.5 B per week, which is remains unlikely in the immediate future, it would take months to recover during a time when credit from our existing capital markets is most needed. Furthermore, restoring stability to the secondary market would aid smaller issuers who have historically turned to existing markets to meet their needs. Above all else, issuers wish to see our capital markets quickly normalized as such capital markets are important for issuers to continue important infrastructure projects that will have positive impacts on the national economy. As the crisis continues, the challenges facing state and local governments will likely evolve and additional considerations may be needed. For now, we offer ourselves and our diverse membership of state finance officials to serve as a resource as you continue to operationalize the MLF and contemplate further actions in our municipal markets. I have asked our policy director, Brian Egan (brian@statetreasurers.org | 202-630-1880), to answer any questions you may have relating to this letter or otherwise. Thank you for your consideration, as well as your continued willingness to hear directly from issuers. Please stay well during these challenging times. Shaun Snyder Executive Director National Association of State Treasurers
41	4/9/2020	john kennedy	Suffolk County NY	Dear Director, I respectfully request that you reconsider the threshold for direct participation in the Municipal Note Purchase entity. Suffolk County , N.Y. has a population of 1.4 million residents, and is the 26 th largest county in the Unites States of America. operating budget exceeds $3 billion annually, and we average in excess of $550 million note purchase annually. Our county continues to experience difficulty is selling competitively. We have sustained a rating decrease, primarily due to insufficient reserves. Our County serves as the primary guarantor for property tax collection for hundreds of lesser entities within the County. It is critical that we be granted direct access to sell, and that we not be subject to the inevitable competition that will ensue with other counties, towns, village and others in New York State. Furthermore, I request that authorization be extended to 12/31/20. I wish to extend my thanks to your exceptional employee shawei wang. She has been a credit to the Reserve, and I look forward to your reply. Sincerely, John M. Kennedy Jr.
42	4/13/2020	Ted Sobel	Ramirez & Co., Inc.	Additional questions on the MLF: _ Please clarify the lien that the Fed will accept from the eligible entities? _ What rating criteria will the Fed use - the long-term rating or an issuer's short term rating? _ Does an issuer need more than one rating? Two ratings? Which rating agencies qualify? _ Is the Fed's pricing scale going to be based on the highest rating if there are split ratings? _ What type of disclosure will the Fed require? Will it be akin to that normally used for private placements or to that of a

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				publicly offered transaction? _ Will there be available a "closing list" of required documents? _ Will issuers be allowed to place the notes directly with the Fed or will they need to go through an intermediary? _ If an intermediary, does that intermediary need to be a primary dealer? Can it be a financial advisor or an investment bank who is not a primary dealer?
43	4/16/2020	Jennifer Lenow		I am glad that municipalities and state governments will be able to access liquidity provided by the Federal Reserve. This is an essential step for local governments to respond flexibly and expansively to the COVID-19 crisis, without the usual limitations of state budgets. However, there are a number of changes to this program that would improve said flexibility and encourage issuers to take greater advantage of the program. These loans should be longer term (up to ten years) and lower interest (near-zero). Eligible issuers should be expanded to include smaller cities, counties, school districts, and local authorities.
44	4/14/2020	Susan Harman		Will a Public Benefit Corporation with two counties (totaling more than 2 million population) and several cities as members qualify for Sec 13(3) funds?
45	4/20/2020	Jessica Giroux	National Association of Bond Lawyers	The National Association of Bond Lawyers (NABL) submitted comments via the associated email address (regs.comments@federalreserve.gov) on April 16, 2020. Warm regards, Jessica
46	4/20/2020	Amanda Allexon		All. I am wondering if the term "State" for purposes of the MFF will include territories and possessions as well as Indian tribes. The definition of "State" in section 4002 of the CARES Act includes both of these categories but there is no mention one way or another in the term sheet. Thanks. Amanda
47	4/10/2020	Khalen Dwyer	Columbia Capital Management, LLC	>If program demand exceeds $500B, how will it be allocated (first come, first served; statewide funding caps, etc.)? > Will the program impose minimum/maximum note sizes? > Will the notes be structured as direct loans or securities? > Will a CUSIP be required? > Will the transaction clear through DTC? > Will interest be payable semiannually if the note maturity exceeds one year or would the SPV accept interest due at maturity structures?> Does the SPV desire a conduit's notes to be Fed tax exempt? > Does the 10 bps fee have a minimum/maximum amount? > Are fees for other transaction professionals and the conduit issuer payable from proceeds? > Is there a minimum acceptable credit rating? For conduit issues, is this a rating on the conduit's issuance or for the underlying political subdivision? Would the Fed look through to existing long term ratings? > Are issuers/borrowers without credit ratings precluded from participating? > Can you provide additional information on the type and scope of disclosure requirements? > Is the use of the phrase "political subdivisions or instrumentalities" intended to be broader than "cities and counties"? In most states, "political subdivisions and instrumentalities" would include cities (towns, villages, etc), counties, school districts, special districts (sewer districts, transit districts, etc.). >Will the SPV purchase pooled notes with multiple borrowers of varying credit quality? >Does the Fed have any intention of selling these notes?
48	4/15/2020	Jeffrey Oldham	Bass, Berry & Sims PLC	Please consider (1) extending term of borrowing to 3 years, (2) allowing states to issue on a non-recourse basis when issuing on behalf of a local government (the loan would be recourse to the local government), and (3) allowing local governments of 500,000 in population to be eligible issuers.

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49	4/16/2020	Ben Gordon	Nonprofit Finance Fund	Hello, can a city or county submit more than one application? The reason I ask is if a city/county identifies more than one mechanism to deploy MLF funds, it would be helpful to be allowed to submit separate applications for consideration. This would provide cities/counties with guidance on their proposals in tandem and allow for more timely decision-making at the local level.
50	4/14/2020	David Park	National League of Cities	Hi, Will you be publishing data on which local governments are borrowing and how much on an on-going basis? We are working on ways to help our member cities with economic planning and recovery post-health crisis and surveillance data is a huge part of this. Also, how do communities engage the Fed to tap into the Facility? Am thinking here of many of the smaller communities we work with populations less than 10,000 people. Many thanks, David
51	4/16/2020	Piper Montemayor	Texas Comptroller of Public Finance	In any forthcoming FAQs, please provide guidance on: How ratings will be utilized? What will be the method of closing (DTC?) How are available amounts "in excess of the applicable limit in order to assist political subdivisions and instrumentalities that are not eligible for the Facility" determined? If a TRAN pool like structure is established by a state, will partial calls be considered?
52	5/1/2020	Piper Montemayor	Texas Comptroller of Public Accounts	We were a bit surprised to see that KBRA has been excluded by the Federal Reserve as an eligible NRSRO under the municipal liquidity facility (MLF) and I wanted to provide you Texas' perspective as you continue to establish MLF operations. Texas uses the four firms (Moody's, S&P, Fitch and KBRA) to rate our general obligation and tax and revenue anticipation notes credits. KBRA is an SEC recognized NRSRO and we added them in 2016 based on their depth and quality of research, investor acceptance and growing market share. KBRA is active in the municipal market and in Texas. The exclusion of KBRA from the program appears anti-competitive and is disappointing as we have seen improved engagement and analysis by all the firms - which we think can be credited to the competition brought to the market by KBRA and their quality of engagement. Limiting access to the facility, based on what may be historical perspectives of NRSROs, does not recognize where the ratings market is today. Thank you.
53	4/9/2020	Mark Price	UBS Financial Services Inc.	Section 4003 of the CARES Act contains provisions for no less than $454 billion of federal direct lending and loan guarantees to eligible businesses, states, and municipalities to provide liquidity related to losses incurred due to COVID-19. Will the Municipal Liquidity Facility announced on April 9 be in addition to the credit available under Section 4003 or is it part of Section 4003?
54	4/14/2020	Toby Stavisky	NY State Senate	NY State faces a budget shortfall of $10b. To assist in our recovery we need access to low interest loan. However, for us to benefit, the maturity date must be longer than 2 years or have a provision for extension at the initial rate. The rate/price should reflect the spread on Jan 1,2020 prior to the pandemic so the risk is not artificially inflated. Price should also be based on Secured Overnight Finance Rate or fed rate. Our adopted budget relies on access to short term borrowing but we need your help. I represent a district in Queens where COVID has been especially devastating and your assistance is key to recovery.
55	4/14/2020	Charles Samuels	National Association of Health and Education Facilities Financing Authorities	NAHEFFA represents the 40 state authorities issuing non profit tax exempt bonds,mainly for health and education. We seek clarity that the below sentence in the Term Sheet includes authority for states,cities and counties in their discretion to purchase notes of hospitals,colleges and other nonprofit institutions: "Eligible Issuer may use the proceeds of the notes purchased by the SPV to purchase similar notes issued by, or otherwise to assist, political subdivisions and instrumentalities of the relevant State, City, or County for the purposes enumerated in the prior sentence." Thanks Chuck Samuels

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56	4/16/2020	Jeffrey Blosser	Washington State Convention Center	The Washington State Convention Center Public Facilities District is a public entity and political subdivision. The PFD owns and operates the Washington State Convention Center and is in the midst of a $1.8 billion addition project. The PFD issues bonds paid from pledged lodging taxes and issued bonds for the project in 2018. The Addition provides significant economic benefits for the region. The Addition alone is expected to create 3,900 direct and indirect jobs, on top of the estimated 6,000 jobs created during the 3.5 years of construction. The facility will be a critical tool for the regional economic recovery post COVID-19 and for the region's long-term economic vitality. We urge flexibility in the MLF program to address short term cash flow financing needs of local government. Expanding the availability of the MLF to political subdivisions like the PFD, which meet minimum ratings requirements and have a dedicated tax funding source, would allow the PFD to directly borrow through the MLF for short-term liquidity. It would help address declines in lodging taxes resulting from halted business activity as part of the public health response to the COVID-19 pandemic. Also providing flexibility to state issuers to borrow on behalf of political subdivisions will help political subdivisions like the PFD. Any short-term financing tool will need to be coupled with additional longer-term financing tools as the lodging and tourism industry works towards recovery.
57	4/15/2020	Richard Geisenberger	State of Delaware	The MLF offers the prospect of critically needed access to liquidity during the COVID emergency and its aftermath. Comments follow: 1) Pricing / Process -- It will be helpful to see clarification on pricing/interest rates/spreads etc. relative to credit ratings as well as application procedures, acceptable note structures, and required legal opinions and disclosures. 2) Facility Structure -- Each State and their political subdivisions have unique tax filing and payment deadlines (some significantly impacted by ongoing changes to IRS guidance), unique expenditure timelines, and debt service due dates. Uncertainties around the COVID-19 emergency make forecasting infinitely more challenging. State issuers offering to purchase notes will face similar challenges with their subdivisions. Delaware subdivisions rely on property tax collections typically due September 30th, which is currently the MLF termination date. Ideally the MLF would be structured similar to a Line of Credit or by allowing borrowing to occur in tranches so issuers can minimize actual borrowings, debt service and fees and match borrowings to closely approximate actual (rather than projected) needs. If such a structure were permitted, it would be ideal if issuers could access a committed facility up to the 20% limit through September 30, 2020 (or ideally December 31, 2020) while then issuing (and calling) notes at any time over the following 24 month period. Thank you.
58	4/16/2020	Susan Gaffney	National Association of Municipal Advisors	Thank you for the opportunity to comment on the MLF. NAMA represents MAs from around the country, who in turn serve municipal debt issuers. We appreciate the intent of the MLF to provide liquidity to this market. However, we would like to make the following suggestions to further enhance the facility: - Governments that are eligible to access the MLF should be expanded. While there is opportunity for local governments to access these funds through a state facility, that puts administrative and credit burdens on states, who may not be able or willing to do so. Further, it should be clarified whether the MLF will make purchases that are secured by a rated credit enhancement vehicle which is accepting the risk of the underlying credits. - Allow more than one borrower per state to better facilitate the needs of local governments. - Extend the MLF program deadline to at least the end of 2020. - Provide clarity on the use of proceeds and have it be broadly interpreted so that governments may meet the unique needs of their own communities. Also include as allowable the costs for legal, advisory and other expenses related to these financings. - Rating criteria and the types of credits that will be used to evaluate decision making should be clear as should the pricing methodologies. The Fed should also use inputs from GFOA, NAST, and others as it structures the program and develops FAQs. If NAMA may provide any assistance, please contact us.

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59	4/16/2020	Fredric Weber	Norton Rose Fulbright US LLP	1. Will the eligibility of States, Cities, and Counties be reviewed and approved by the Fed ad hoc, or will the Fed announce and apply eligibility standards before Eligible Issuers invest time and expense in submitting an application and if so, when? 2. Would the one issuer per State, County or City restriction be violated if, e.g., a city sold separate notes to the SPV for separate city boards that are backed by different (but all eligible) sources of payment? 3. Must an Eligible Issuer borrow the entire approved amount at once through a qualifying note sale to the SPV, or may it be allotted a committed amount and draw the funds down as needed via more than one SPV purchase or loan (until 9/30/20)? 4. In addition to TANs, TRANS, and BANs, will revenue anticipation notes (RANs) be eligible for purchase?
60	4/16/2020	Daniel Kozloff	PFM	Thank you for review of the below questions related to the Municipal Liquidity Facility. Submission Part 1: - Confirmation on eligible issuers - Cities and Counties (per data sources cited by term sheet, we count 10 and 16, respectively). - The term sheet has a link to State government revenues from which the 20% amount can be derived. What source will be used for Cities and Counties? Is there a centralized source or will the Fed rely on self-declarations? Will there be a confirmation process? - Who will manage the distributions - how can eligible issuers begin the process? o Who is point of contact? o When will further details / materials of the Facility be released? - Where and how do different sector-specific issuers (e.g., airports, higher ed, health care, toll/transit, etc.) fit - especially those that are already directly allocated funds as part of the CARES Act. Are they equally eligible for MLF funds that would be further distributed by eligible States / Cities / Counties? Will the Fed place restrictions or provide guidance on which issuers can receive funding from the Eligible Issuers (not directly from the Fed)? - Pricing matrix - how will pricing be determined? - How will additional requests above the 20% revenues amount for SPV purchases from States be handled? Pro-rata? First come first served? How much funding will be available for these excess requests?
61	4/28/2020	mona payton	bank of america	Please add me to your distribution on updates to information regarding the Federal Reserve Municipal Liquidity Facility.
62	4/16/2020	Faith Pettis	Washington State Housing Finance Commission	Submitted on behalf of the Washington State Housing Finance Commission The definition of "Eligible Issuers" should be expanded to include state conduit issuers who are uniquely qualified to assist with deploying MLF financing to nonprofit and private entities serving public purposes. In Washington State, the Washington State Housing Finance Commission is the statewide conduit issuer for affordable housing, nonprofit facilities, first time farmer/rancher and energy program bonds. It administers the federal low income housing tax credit. As a result of these programs, it has broad and deep networks and is well suited to assist with ensuring the MLF is available widely to private entities engaged in low income and affordable housing, nonprofits and social service agencies. Similar statewide conduit agencies exist in each state. The state housing finance agencies in particular are trusted partners and have a track record of successfully carrying out complex federal programs. Their experience should be tapped for this important program.
63	4/15/2020	James Fearon	GluckWalrath LLP	Kindly provide guidance regarding the acceptable security where a State seeks access on behalf of a constituent entity that does not itself qualify as an Eligible Borrower. Specifically, may the constituent entity issue a "Tax Anticipation Note" to the State, and the State issue to the SPV a revenue obligation secured solely from payments to be received from the constituent entity under its Tax Anticipation Note to the State? I ask because the State may not be legally permitted to issue its own Tax Anticipation Note to the SPV in this circumstance, either because the funding is not for State operations, because the anticipated taxes are not taxes to be received by the State, or because State-issued Tax Anticipation Notes may be

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				constitutionally required to be retired before the end of the State's current fiscal year whereas the constituent entity's Tax Anticipation Notes may be legally permitted to extend to a later desired maturity date. Thank you.
64	4/13/2020	Charles German	Town of Camp Verde AZ	Does this program fit our town of approx 13,000 or is this managed through the state?
65	4/16/2020	Marjorie Henning	NYC Comptroller's Office	What is the expected timing of implementation of this facility? _ Would an instrumentality that issues on behalf of a city for capital purposes be an eligible issuer? _ The term sheet provides that "[p]ricing will be based on an Eligible Issuer's rating at the time of purchase . . ." Will the issuer's long-term credit rating be used for this purpose? Alternatively, will the short-term rating on the notes sold be the basis for the pricing? _ Will the rate be determined based on current market, and, if so, would it be the tax-exempt or the taxable market and how will "current market rate" be determined? _ May the notes purchased by the Fed be subordinate to existing debt? _ Will the notes be assigned CUSIPs? _ Will disclosure or any covenants not normally included in public offerings be required? _ How will availability be allocated? I.e., will it be "first come, first served" or some other method? _ Will the Federal Reserve commit to purchasing longer term bonds to take out these notes, and, if not, how will rollover be addressed? _ Will this facility be followed up with an open market purchase program?
66	4/16/2020	Colleen Davis	Delaware State Treasurer	1) Pricing / Process -- It will be helpful to have competitive rates, utilizing the CPFF as a guide for pricing. Also like to see clarification on pricing & interest rates etc. relative to credit ratings as well as application procedures, acceptable note structures, and required legal opinions and disclosures. 2) Facility Structure -- Some states are significantly impacted by ongoing changes to IRS guidance with unique expenditure timelines, and debt service due dates. Uncertainties around the COVID-19 emergency make forecasting infinitely more challenging. Delaware subdivisions rely on property tax collections typically due September 30th, which is currently the MLF termination date. Ideally the MLF would be structured similar to a Line of Credit or by allowing borrowing to occur in tranches so issuers can minimize actual borrowings, debt service and fees and match borrowings to closely approximate actual (rather than projected) needs. If such a structure were permitted, it would be ideal if issuers could access a committed facility up to the 20% limit through September 30, 2020 (or ideally December 31, 2020) while then issuing (and calling) notes at any time over the following 24 month period. Thank you very much.
67	4/18/2020	J Ben Watkins	State of Fl	MLF will likely need to be extended because of time and activities needed by states to obtain statutory approval and design/implement borrowing, especially if going to provide access to MLF by local governments Do you anticipate requiring a state backstop or guarantee for loans to local governments? Are purchases of Eligible Notes going to be done directly by SPV? Will pricing be done as a spread to an index or some other means? Will SPV or Fed be responsible for approving credits? By what standards or criteria? Will Eligible Issuers be able to construct pooled loan program for local governments with credit based on underlying borrowers rather than the Eligible Issuers credit? What kind of disclosures do you anticipate requiring? Will most recent CAFR be sufficient for disclosure requirements? Special disclosure information should be avoided. Just adds time, work and expense unnecessarily?

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				Ratings requirements should be flexible i.e. allow for underlying rating of issuer or short term rating or rating of Eligible Notes- Let issuer decide which is most expedient Will a subject to appropriation credit be acceptable to SPV/Fed or will pledge of full faith and credit or specified revenue streams be required?
68	4/13/2020	Ted Sobel	Ramirez & Co., Inc.	Questions on the MLF: _ Please confirm that a State can in some way aggregate their own borrowing needs with those of other governments in the State (e.g., small to medium cities, various authorities, utilities) as long as the credit for the borrowing is the State's? (Many have some type of SRF or bond bank model that legislatures would most likely need to quickly amend the authorizing legislation/rules to allow for this.) _ If yes to the aggregation question, can the 20% revenue test be applied on the aggregated basis? _ Can a State borrow more than once? For example, a State borrows for themselves on one day and then a few weeks later (presumably after whatever legislation or rules are needed to allow for aggregation) borrow again? _ As to pricing, what is the pricing/credit scale? Has thought been given to the TIFIA or WIFIA models where the credit test is binary (requires at least one investment grade rating) and the pricing is based on comparable UST? _ What is the ability of Puerto Rico or the Virgin Islands, for example, to borrow - the Term Sheet says States, DC, and large Cities and Counties, but no mention of PR or VI? _ What level of credit review will MLF require before approving a loan to a State, eligible City or eligible County? And is there a mechanism/agent in place to do the review in a very accelerated manner? _ Could MLF assume a subordinate lien position (so long as it would be investment grade)?
69	4/16/2020	Jordan Sawyer	Norton Rose Fulbright	1. What standards will be applied by the Fed in determining the eligibility of a TAN, TRAN, or BAN (or RAN), each of which the Fed's release indicates "is subject to review by the Federal Reserve"? Will Eligible Issuers be informed of the eligibility standards before they invest time and expense in submitting an application and if so, when? 2. What "relevant" disclosures will the Fed require? Will the Fed require more than financial statements? When will Eligible Issuers be informed of the form and substance of legal opinions and disclosure to be determined by the Fed? Merely "prior to purchase," as stated in the Fed's release, or in advance of investing time and expense in submitting an application? 3. Will the Fed require or give preference to the SPV's purchase of eligible tax-exempt notes? If so, will it require a tax opinion? 4. How much information - both at issuance and during the life of the instrument - will the Fed want regarding the use of proceeds, and will replacing revenue shortfalls that are caused only in part by COVID-19 (and in part by other exogenous events, e.g., excessive global oil production) be an eligible use of proceeds? 5. May all FY 2017 general and utility revenue be included in an eligible issuer's borrowing base for purposes of the 20% principal amount limit even if some of the revenue is controlled by an independent board and/or not available to repay the borrowing?
70	4/16/2020	Lee Deviney	Texas Public Finance Authority	1) Is funding through the MLF available to Single State Entities secured by a pledge that does not include the full faith and credit of the borrowing state? 2) Will the Fed provide a matrix or similar guidance on eligible credit ratings and related borrowing costs? 3) Would the one issuer per State restriction be violated if a city or county secured borrowing through the SSE for separate city boards or political subdivisions? 4) Will revenue anticipation notes (RANs) be eligible for purchase? 5) Will the Fed impose a dollar limit on the purchase Eligible Notes in excess of the applicable 20% limit "to assist political subdivisions and instrumentalities that are not eligible for the Facility."? May the state's borrowings from the SPV for this purpose be nonrecourse if the political subdivisions' notes are pledged as security to the SPV? May proceeds be provided by a state to its political subdivisions (through the purchase of their notes or otherwise) that are not cities or counties? If a state doesn't complete all purchases or provide other assistance by

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				9/30/20 (which currently is the last date the SPV can buy notes from the States and eligible cities and counties) from proceeds of notes previously purchased by the SPV, will the Fed permit those note proceeds to be used to buy notes or otherwise assist political subdivisions/instrumentalities after 9/30/20 or will it require the state to redeem its TANs/TRANs with the unspent proceeds as of 9/30/20.
71	4/16/2020	BRENDAN WHITE	City of Chicago	3. Can a City or County, in the same manner as States, request that the SPV purchase Eligible Notes in excess of the applicable limit to assist related political entities or other governments that are not eligible to participate? For example, related entities can include school districts, park districts, transit authorities, housing agencies and other governments that operate with financial and legal independence, but for which the Eligible Issuer selects all or a majority of the board members. Is there a definition of political subdivisions and instrumentalities for this purpose? Is lending to municipalities or other governmental or not-for-profit borrowers over which the Issuer has no control or jurisdiction an eligible use of proceeds? For example, can cities lend to museums and other towns and villages? 4. Can a City combine revenues from multiple units (including enterprise units of government) for determination of the Note purchase limit? For example, can the City combine general tax and fee revenues with utility revenues and with airport revenues? 5. Can an Eligible Issuer create an SPV, or use an established SPV, that will issue the Notes on behalf of the Eligible Issuer? 6. Clarity on which credits you can borrow for. Does it have to be all on one credit if you want to borrow for airports, etc? Can there be a combination of TANs, RANs and BANs issued by one Eligible Issuer?
72	4/14/2020	Stacey Lewis	Pacfica Law Group LLP	As bond counsel we see first hand the financial challenges confronting state and local governments on the front lines of the COVID-19 pandemic. The MLF is a valuable short-term financing tool for local governments facing steep declines in tax revenues that depend on business activity halted by the public health response to COVID-19. The MLF should offer pricing at low rates that reflect the relatively strong credit and low default rates of states and municipalities and allow states to serve as a conduit for loans to local government without obligating the state's full faith and credit. Eligible Notes should include state notes consisting of pooled local government obligations or an individual local government obligation, payable from pledged underlying revenues. A local government could issue a general obligation note, and the state could purchase and sell the note (or pooled notes) as an Eligible Note to the MLF SPV. Minimum ratings could be required. Many states have strict constitutional limitations on full faith and credit "debt" paid from state taxes and have limited debt capacity to be able to incur such "debt" on behalf of political subdivisions. State conduits can issue notes payable from pledged revenues without incurring "debt." As local governments address longer term financing needs, additional tools will be needed. NABL has proposals for financing tools to help states and local government, including for tax-exempt long-term working capital. Thanks.
73	4/14/2020	Evan Absher	Ewing Marion Kauffman Foundation	I hope this email finds you healthy. My main point of feedback is that the MLF should not limit the cities and counties that can access the debt available by population size. This will exacerbate regional inequality and individual inequality. First, cities (particularly those in states where the governor refuses to issue a shelter in place orders) are leading the way in preventing the worst of the public health crisis. Second, mayors and cities are almost always the predominate source of a state's GDP, even in states that lack one of the 10 big cities. Third, despite the economic importance of cities they almost are always politically outmatched. Again think of states that do not have shelter in place orders or have traditionally under-representation of vulnerable communities. The states will not properly support the cities or will support them but use it further politically hamstring the cities later on. Inevitably the states will receive the debt, use the debt to relieve "state level" issues and leave cities to their own devices. This will have the effect of loosening monetary policy without a corresponding loosening in fiscal policy. You know this experience well. Please consider other metrics for this program: -Credit Ratings

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				-Deal Size -Previous Taxing capacity -GDP relative to state GDP -Representation of vulnerable groups Thank you. -E
74	4/13/2020	Judy Wesalo Temel	Fiera Capital	1. Will the 20% limit apply for the states' own use and will there be another 20% limit for the combined political subdivision issuers (less the cities and counties that can issue on their own)? 2. Ultimately are the States liable for repayment of not only their own notes, but those of the political subdivisions that can't issue on their own? 3. If a State opts to issue on behalf of their political subdivisions, are the obligations senior or parity to the political subdivision issuers' other debt? Will their notes be direct obligations to their states? 4. An eligible use of proceeds is "requirements for the payment of principal and interest on obligations of the relevant State, City or County". a. Does borrowing for debt service violate any laws? Is this different by state? Is it a material disclosable event? b. Is this also for political subdivisions? 5. Pricing is based on the Eligible Issuer's rating at the time of purchase. Is that the long-term general obligation rating, or a short term (MIG) rating if the issuer can show that it would be more beneficial? Will a split rating price at the higher or lower ratings, or a blended rating? If there are higher revenue or special tax ratings can those be used? 6. Is the security for the 74 issuers a general obligation pledge or only secured by anticipated tax revenues?
75	4/16/2020	Lawrence Bauer	Norton Rose Fulbright US LLP	1. Since an issuer may borrow to help manage "potential reductions of tax and other revenues," (a) may borrowings be based on expected shortfalls, (b) if so, will issuers be required to track actual shortfalls and prepay borrowings to the extent actual shortfalls are lower than expected at the time of note purchase, and (c) if so, what evidence will the Fed require (both initially and ongoing) as to the revenue reductions or expense increases, and will the Fed require category breakdowns that are different than what an Eligible Issuer customarily uses? 2. Since pricing will be "based on an Eligible Issuer's rating at the time of purchase with details to be provided," (a) will a time-consuming, new NRSRO rating for the borrowing be required, (b) if not, may an existing NRSRO rating for outstanding issuer securities be used, even if they are payable from a different source of funds or are secured on a senior basis, and (c) when will the details be provided? 3. What will the Fed require from issuers to show what their "own sources" of FY 2017 general revenue (the test year in the MLF term sheet) consist of? Will the Fed accept a Eligible Issuer's customary categorizing of its revenue sources? If a particular state permits borrowed money to be included as a source for balanced budget purposes, would the Fed permit that to be included to increase the borrowing limit if the state had authority to include them in its 2017 fiscal year general revenues from its own sources?
76	4/16/2020	Jonathan Azoff	Treasurer of State of Ohio	The State of Ohio cannot incur direct debt for cash flow purposes, and no Ohio political subdivision/instrumentality ("entities") is an MLF "Eligible Issuer". For the MLF to benefit Ohio "entities", the Ohio Treasurer asks the following: 1. If a State borrows from the SPV solely to provide the proceeds to other public entities, may the SPV's recourse be limited solely to those entities for repayment? 2. May an entity other than an Eligible Issuer borrow directly from the SPV if an Eligible Issuer provides credit enhancement for the borrowing? 3. If all proceeds of an MLF borrowing through the State are provided to other public entities for their Eligible MLF Uses: a. Is the maximum amount that may be allocated to each entity 20% of its general revenue and/or utility revenue for its FY 2017?

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				b. Must the entity have a stand-alone rating, or may its rating be based on credit enhancement(s)? May it be either a long or short term rating? c. May the State borrow from the SPV based on an informed estimate of its entities financial needs for Eligible MLF Uses? Must the entire amount borrowed be disbursed to entities prior to 9.30.20? May amounts undisbursed to entities on 9.30.20 be used to "call" at par an equal amount of the notes held by the SPV? d. Do permissible purposes include entities using MLF to repay advances made/amounts borrowed by entities for MLF purposes after the 3.27.20 effective date of the CARES Act?
77	4/9/2020	Evan Weiss	State of New Jersey	How do states "apply" to access the facility and is there a public issuance requirement? When will the facility become available? When could an issuer expect to receive proceeds? How do individual local issuers provide the 20% of the general revenue from own sources and utility revenue certification, if they did not fill out the Census survey? What are the mechanics for borrowing on behalf of local issuers; is the state a conduit or is it responsible for carrying the debt? What level of detail will be required in the disclosure/rating process/materials?
78	4/16/2020	Paul Braden	Norton Rose Fulbright US LLP	The MLF term sheet permits a state or other eligible issuer to request that the SPV purchase Eligible Notes in excess of the applicable 20% limit "to assist political subdivisions and instrumentalities that are not eligible for the Facility." Will the Fed impose a dollar limit on this excess amount? If so, will the limit be based on the test year revenues of the State or the borrowing political subdivision? May the state's borrowings from the SPV for this purpose be nonrecourse if the political subdivisions' notes are pledged as security to the SPV? May proceeds be provided by a state to its political subdivisions (through the purchase of their notes or otherwise) that are not cities or counties? What information will the Fed require to be submitted along with such a request? If a state doesn't complete all purchases or provide other assistance by 9/30/20 from proceeds of notes previously purchased by the SPV, will the Fed permit those note proceeds to be used by the state to assist political subdivisions after 9/30/20? In what manner will purchase requests that total below the $500 billion cap be honored? If over time the principal amount of purchase requests exceeds the $500 billion cap,how will excess requests be honored?
79	4/14/2020	John Brooks	NYS	I write to support provide Economic support to local and state governments as a result of the loss of financial income as a result of the economic downturn associated with the pandemic. This aid should be over an extended period of time with a reasonable level of financing to allow for the full recovery of both the state and local economies. It must be understood that state and local government's funding is driven by the strength of the local economy. The pandemic was in no way controlled by nor influenced by the local economies. State and local governments were the victims failure to address this crisis early and to have available resources needed to address the medical emergency placed on this nation we have the opportunity to bring communities and State back to be a full strength by providing an extensive funding program while taking advantage of interest rates at this time. The funding available should take into consideration regional course factors and the economic degree to which various regions of this country were impacted by the pandemic. We must recognize that these funds are desperately needed if we are going to allow economy to reopen and begin to grow again
80	4/16/2020	Emily Lucas	County of Wake	In response to the Municipal Lending Facility, the County of Wake (North Carolina) requests that the following changes be considered for the proposed COVID-19 federal loans to local governments. (1) Lower the entity population threshold for eligibility to 250,000. Medium sized governments were not eligible for direct funding in the CARES Act and likely will not receive large sums allocated to states; states are likely to distribute funding to the more rural and lower-populated counties and cities. (2) Extend the payback period to 5 years. The impacts of COVID-19 on sales and income tax will

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				be felt long after economic and consumer activity resumes; as the duration of stay at home orders lengthens, it will take longer than 2 years for governments to recover lost revenues. If governments only have 2 years to pay this loan back, it likely is of little benefit to most. (3) Extend the financing to match the current CARES Act (December 30). For most local governments, receipt of sales and income tax is in arrears, so it will take longer than the initial five months proposed for this plan for governments to understand the full impact and financial needs that a loan could provide. We appreciate your consideration of these changes not only for Wake County, but for all local governments across NC.
81	4/16/2020	Emily S. Brock	Government Finance Officers Association	Re: Municipal Liquidity Facility Please see the attached comments sent by: Emily Swenson Brock Federal Policy Director On behalf of: Government Finance Officers Association 660 North Capitol Street Washington DC 20001 540-589-0441 202-393-8467 Government Finance Officers Association 660 North Capitol Street, Suite 410 Washington, D.C. 20001 202.393.8467 ebrock@gfoa.org (m)540.589.0441 April 15, 2020 VIA Electronic Mail Board of Governors of the Federal Reserve System 20th Street and Constitution A venue NW Washington DC 20551 RE: Municipal Liquidity Facility The Government Finance Officers Association (GFOA) is pleased to provide comments on the Federal Reserve's (Fed) April 9, 2020 formation of the Municipal Liquidity Facility (MLF) on behalf of our over 21,000 members representing governments and political subdivisions that issue municipal securities. We applaud the Federal Reserve's careful interpretation of the legislative intent of the CARES Act and support the Fed's efforts to provide emergency liquidity to states and localities facing severe uncertainties as a result of the crisis. The April 9th announcement indicated that certain terms and features of the MLF are still being resolved. The GFOA has considered the program details that have thus far been released and provides comments on those matters, and well as other issues that we ask the Fed to address related to the MLF. Eligible Entities The Fed's announcement specifies that only states, counties with populations of at least 2 million, and cities with populations of at least one million are eligible to access the MLF directly. As many have noted, this approach serves two potential policy purposes. On one hand, it provides a pool of 75 potential credits - states and the largest of local governments - access to short-term capital. On the other hand, it fails to allow the other 75,000 governmental issuers' direct access to the facility. GFOA recommends that the Fed provide facility access to a larger and more diverse pool of issuers. In the Term Sheet1, the Fed provides that "States may request that the Special Purpose Vehicle (SPY) purchase eligible notes in excess of the applicable limit in order to assist political 1 https ://www. fed era I reserve.gov /newsevents/press releases/fl les/moneta

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				ry20200409a3. Pdf subdivisions and instrumentalities that are not eligible for the facility." In so doing, States that participate will act as intermediary and will assume the risk of the credits of all borrowers. While all governments should have access to this relief, current stresses experienced by local governments, instrumentalities and political subdivisions are an additional burden to state governments experiencing similar burdens themselves. GFOA recommends that the Fed explicitly provide assurances to States against losses associated with defaults and other credit-events experienced by borrowers accessing the facility through their state governments. Additional guidance is needed to address concerns with the parameters of the MLF program. These concerns are especially present as only one issuer per State, City, or County is eligible to use the facility. Each State has unique constitutional issues that may impair their ability to meet this requirement; in other words, the credit for a bond bank type entity that addresses the needs of subdivisions and instrumentalities within the State's border may need to be different and separate from the State's credit. Also, creating a bond bank type entity could restrict the State's own ability to access the Facility. Finally, the GFOA requests that the Fed provide assurances that eligible issuers are able to draw down funds through the facility as needed. There will be better use of the facility if issuers do not have to incur negative carry on a lump sum draw. Extend Termination Date For two key reasons, the Fed should extend the termination date until at least December 31, 2020. First, as the Fed's announcement suggests, States are intended to be the conduit body for local government units below the population thresholds access the program. Few states have such statutorily created facilities. In many states, standing up such a facility would require state legislative action and administrative and legal hurdles. Second, the current health pandemic has just started and due to the time related to process tax collections, there will be delays with States and other units of government determining the extent of their liquidity needs. This timeline will vary State-to-State, but in general States and local governments may not have fully assessed their needs by the current termination date of September 30, 2020. Allowable Use of Proceeds The Fed should also clearly discuss in its upcoming FAQs or other documentation allowable use of proceeds. Without such clarity, governments may discover several years in the future that the Fed's interpretation of use of proceeds differs from their own issuance. In particular, governments may borrow for "expenses related to losses incurred as a result of the coronavirus."2 That may mean different expenses and revenue losses for different types of governments. Therefore, GFOA recommends that the Fed allow for a broad definition for the use of proceeds that correlate to the varied economic crises of communities. Pricing and Term Sheet Considerations The Fed's MLF announcement provided few details on how notes will be priced. Provided the policy objective of the MLF is to provide opportunity for liquidly in the public sector, we would encourage the Fed to develop pricing structures that would not penalize an issuer from other sources of capital. Said simply, notes offered by the facility should be priced as close as possible to market norms utilizing commonly used benchmarks3 • Without such structures, issuer participation is likely to be dampened. 2 P.L. 116-136, Section 4003(a) 3 For example - MMD, MMA, Bloomberg BYAL, MBIS, ICE, the Treasury curve, or others. Pricing for the MLF will likely also be based on credit quality, perhaps the index flat for triple-A borrowers, the index plus 10 basis points for double-A borrowers, plus 20 basis points for singleA borrowers, for example. GFOA recommends that the credit reference is based on the issuer's underlying long-term credit rating/grade as of March 1, 2020, thus being more representative of the true credit quality of the issuer. Disclosure Considerations GFOA authors and maintains a suite of best practices in issuer disclosure. In addition, GFOA's Debt Committee recently published considerations for issuer disclosures during COVID-19 .4 In order to streamline participation in the program to a significant degree, we urge the Fed to utilize the disclosure regime currently in place. We ask that disclosures not extend beyond what issuers are required to provide pursuant to their Continuing Disclosure Agreements. As others have suggested, we urge the Fed to allow issuers to satisfy compliance with program terms with representations rather than the submission of financial or other documents. Disclosure considerations will also depend on other details of this facility: Will DTC be involved with

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				issuance? Will secondary market trading possibilities exist? Cost and Administration of Issuance GFOA understands the substantial efforts and costs of issuing debt in the public markets. Additionally, issuers will likely assume similar costs when accessing the MLF. We would ask the Fed to consider guidance that additional costs of issuance can be paid from the proceeds of borrowing. GFOA recognizes the considerable efforts of the Federal Reserve to launch and maintain the Municipal Liquidity Facility and we believe it will provide much-needed immediate assistance in critical areas. This facility goes a long way to accomplish the policy objective of ensuring sufficient liquidity in the public sector. We provide these comments in order to ensure effective implementation. Thank you for considering our comments and we look forward to working with you on this and other matters as this crisis and recovery evolves. Sincerely, Emily Swenson Brock Federal Policy Director 4 https:/ /www.gfoa.org/ gfoa-debt-committee-releases-urgent-member-guidance-covid-19-debt-service-anddisclosures
82	4/16/2020	BRENDAN WHITE	City of Chicago	1. Would the Federal Reserve consider extending the duration from two to five or more years to align with growth years after recovery? Most financial projections seem to project a period of at least 2 years to return to pre-COVID levels, after which there is a period needed to recover the lost revenue during the first 2-years. Additional time to repay principal would help with providing a bridge while issuers recover from lost revenue. 2. Can Issuers use these the proceeds for any corporate purpose such as funding a contribution to a pension fund, as pension contributions are as much a fixed obligation as debt obligations? Can pension funds be eligible downstream borrowers? Are there any use of proceeds which will be expressly prohibited?
83	4/18/2020	J Ben Watkins	State of Fl	Ratings requirements should be flexible i.e. allow for underlying rating of issuer or short term rating or rating of Eligible Notes- Let issuer decide which is most expedient Will a subject to appropriation credit be acceptable to SPV/Fed or will pledge of full faith and credit or specified revenue streams be required? Can the Eligible Issuer designate another entity to act on its behalf if still limited to one issuer? E.g. can we designate existing pooled loan program run by Florida League of Cities to be the State's designated issuer even if it is not an "instrumentality" of the state? Good Luck Guys. Please let me know if I can help you in some way Ben
84	4/16/2020	Bradley Bingham	Barnes & Thornburg LLP	1. May a State borrow an amount based on an estimate of its political subdivisions'/instrumentalities' financial needs for Eligible MLF Uses, and must the entire amount borrowed be disbursed by the State to those subdivisions/instrumentalities prior to Sept. 30, 2020? If required, may the amount still held undisbursed by the State be used to "call" an equal amount of the Notes purchased by the SPV at par? 2. For loans to finance reductions of tax and other revenues resulting from COVID-19, many of those tax and revenue streams have been pledged to other outstanding obligations. Will the SPV accept a security interest in such tax/revenue streams junior and subordinate to other outstanding obligations? 3. In lieu of a direct general obligation or annual appropriation type pledge provided by a State, will the SPV accept a credit structure that would permit the pledge of loans on specific, separate credit terms that are made on a conduit basis through a State instrumentality? 4. Will the SPV purchase multiple series of Eligible Notes from a single Eligible Issuer each of which have different underlying sources of security or types of credit? 5. Will the SPV require a rating to be assessed on the loan, and if so, the criteria and/or level of rating required (e.g., investment grade or higher)? Who will be responsible for acquiring the rating and its costs?

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				6. Please explain the timing and process in order to close by a certain date (e.g., June 30).
85	4/9/2020	Stephanie Ferry	Raymond James	I applaud the Federal Reserve's recently announced municipal liquidity facility program. My biggest concern is the 2-year term. Some local governments may not have recovered to the point that they can fully repay within the two years. Would it be possible to consider a longer term, with repayments required if a threshold is met (i.e. 90% of pre-Coronavirus revenues)? If the state is issuing on behalf of local governments, the issuing state can monitor the repayment requirements.
86	4/10/2020	Michael Rubin	Florida Ports Council	Thank you for issuing this guidance. We have heard concerns from our smaller special district seaports in this state. They have two basic concerns: 1. The population caps prevent them from accessing the relief offered by the MLF. 2. The definition of local governments uses the term "unit of general government below the state level." Our seaports are "special district" units of state government and it is unclear if that definition includes them.
87	4/9/20	Mark Price	UBS Financial Services	1. Given the terms in the MLF term sheet provided with the announcement of the program being effective on April 9, 2020, when are the first purchases expected? 2. What will constitute a "direct purchase" of notes by the SPV created for the MLF? Can either broker dealers or primary dealers sell such notes to the SPV on behalf of Eligible Issuers? 3. Would independent authorities (water and sewer, transit, airport, port, toll road agencies, etc.) be permitted to receive proceeds of notes from the MLF directly as Eligible Issuers or would they have to rely on a State, County or City borrower to receive assistance as a pass-through recipient? 4. Can 501c3 and other similarly situated entities be considered instrumentalities of a relevant State, City or County for purposes of issuing notes that are eligible to be purchased with the proceeds of Eligible Notes? 5. How will the one issuer allowed per State, City and County be determined to the extent there are multiple Eligible Issuers at the relevant level of government? 6. To the extent an Eligible Issuer has revenue streams that it is willing to pledge to the repayment of Eligible Notes, but is not otherwise revenue that flows into a "general fund," can that revenue be used towards the issuance limit based on 20% of 2017 general and utility revenue? 7. Is there an estimated time of when pricing details will be available? 8. To whom is the Origination Fee payable? 9. Will the Fed require covenants/disclosure requirements above those customarily included in an issuer's applicable bond and other deal documents? If so, what would those be? 10. Would the Eligible Notes be book-entry with DTC? 11. Are the U.S. Territories such as Puerto Rico, the U.S. Virgin Islands and Guam considered Eligible Issuers? 12. How will the $500 billion capacity of the MLF be prioritized among Eligible Issuers? Is it first come first serve? Section 4003 of the CARES Act contains provisions for no less than $454 billion of federal direct lending and loan guarantees to eligible businesses, states, and municipalities to provide liquidity related to losses incurred due to COVID-19. Will the Municipal Liquidity Facility announced on April 9 be in addition to the credit available under Section 4003 or is it part of Section 4003?

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88	4/14/20	Patrick Luby	CreditSights	Hello--Looking over the new term sheets posted today (4/9) leaves me with the impression that the Fed may still be contemplating additional efforts to support states and municipalities, in addition to the Municipal Liquidity Facility, particularly since the corporate bond facilities will buy securities up to four or five years in maturity. Do you expect to have further support for longer-term state and municipal debt? Thank you, Pat Luby
89	4/14/20	Shelley Mayer	New York State Senate	This support is critical to states and municipalities seeking to address revenue gaps during this crisis. I note that the maturity term of the lending should be extended from two years, or provision should be made to refinance the initial loans for an extended period, or both. In addition, pricing should explicitly reflect spreads available in the muni market as of the beginning of 2020. The two year maturity requirement is too short. Requiring all municipalities benefiting from these purchases to simultaneously refinance this debt in only two years will create significant strain in the municipal markets and become a drag on economic recovery. One way to address would be guaranteed refinancing after the two year maturity date at the initial interest rate. The base maturity should also be lengthened and pricing should be tied to a low risk premium over SOFR or the Federal Funds Rate with premiums similar to the risk premium evident in the municipal markets early in 2020.
90	4/16/2020	Rosemary Rivera	Citizen Action of New York	Good Day, Thank you for your work to support the economy. Without seeming ungrateful, we would like to ask that the Municipal Liquidities Facilities program consider a longer term payment plan. Currently slated at two years, we do not see our state, the great state of New York, recovering that quickly. Please consider extending the payback terms. With gratitude for your work, Rosemary Rivera Co-Executive Director Citizen Action of New York
91	4/16/2020	Stephen Ksenak	Ambac Assurance Corporation	The stated goal of the Federal Reserve's Municipal Liquidity Facility (MLF), announced on April 9, 2020, is to help state and local governments better manage cash flow pressures in order to continue to serve households and businesses in their communities. While the MLF is intended to help improve issuer and overall municipal bond market liquidity in the short term, municipal market participants have concerns about the scope and potential drawbacks of the Municipal Liquidity Facility. To address these issues, maximize the MLF's effectiveness and provide much-needed support to municipal issuers across the nation: Revenue bond issuers should be included within the Municipal Liquidity Facility as Eligible Issuers U.S. territories should be included within the Municipal Liquidity Facility as Eligible Issuers Municipal issuers should be provided with longer-term credit support, since municipalities financially plan for the long-term and are expected to have significant difficulties addressing the longer-term consequences of the current unplanned, severe economic shocks
92	4/17/2020	Jose Yandun	Port Authority of New York and New Jersey	When will the Municipal Liquidity Facility open ? Where can i find the application/registration form?

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93	4/20/2020	Greg Saulnier	Refinitiv	Good morning, I am trying to track down a balance sheet for the SPV related to the MLF broken down by assets/sub-assets. Is there anything of the kind that you can provide? Please let me know. Thank you.
94	4/21/2020	Daniel Berger	MMD/Refinitiv	Could I speak to someone to see when and if this facility will be drawn? Thank you, Dan Berger 917-748-9260
95	4/23/2020	Erick Renderos	City of San Diego	Good afternoon, Hope you're all doing well. I understand that this may be overwhelming and difficult times. Just wanted to follow up on this matter: I want to be sure that no updates have been posted anywhere for us to see - in particular to questions posed by municipalities. Or perhaps a "FAQ" section on your website for us to visit. Thank you in advance, Erick W. Renderos Debt Coordinator City of San Diego Debt Management Department
96	4/28/2020	Kevin Kashi		FINANCE & ECONOMY Local and state officials are playing dirty politics!! PLEASE CENSOR MAYORS AND GOVERNORS THAT TALK ABOUT THEIR CITY OR STATE WILL NOT PAY THEIR BILLS DUE TO CORONA VIRUS. This will backfire when they apply for public improvement bonds (Municipal Bonds) for essential public facilities. Elected officials are charged to solve problems, but instead they are destroying the credit rating of the entire nation! Local issues, right or wrong, do not belong in the press. Their action is a disservice to America impacting ALL state and local governments throughout the nation. Municipal bonds pay 3 to 5 percent interest. These bonds are supposed to be "SAFE" but they are now trading at huge discount even though the federal reserve lowered the rates to near zero. With near zero interest rates, municipal bonds must trade at premium! This means that there is no confidence in the nations' ability to pay their obligation bonds for public projects. As the result, the entire nation must pay much-higher-rates for public improvement bonds. THIS TRANSLATES INTO ADDITIONAL BILLIONS OR TRILLIONS OF PUBLIC FUNDS IN INTEREST TO BORROW MONEY. DAMAGE-CONTROL . SHORE-UP MUNICIPAL BONDS THROUGH FEDERAL RESERVE.
97	4/29/2020	Kelli McMorrow	American Securities Association	The American Securities Association (ASA) appreciates the opportunity to provide feedback on the Federal Reserve's Municipal Liquidity Facility (MLF). 1) that regional dealers have direct access to the MLF to act as an intermediary to the MLF in order to facilitate the new issuance of TAN, TRAN, BAN and other short-term notes; and 2) that the MLF purchase municipal securities in the secondary market and/or allow certain-sized dealers to repo eligible securities with the MLF. ASA has concerns that the trickle-down mechanism from each individual state may not work as effectively as other delivery mechanisms. Each of the 50 states will have different processes and different credit considerations. ASA is confident that the next tier of regional dealers could help provide

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				necessary efficiencies to the NY Fed in delivering the liquidity to its intended end users. As an example, 7 ASA member firms underwrote 35% of municipal issues in 2019. This is not a primary dealer dominated market, this is a market heavily influenced by regional broker-dealers who have established relationships and delivery mechanisms already in place to facilitate the delivery of liquidity made available through the MLF. The ASA believes that the next tier of regional firms could assist the MLF during this time of crisis and help the Fed achieve its desired policy goal of facilitating credit and liquidity to issuers and municipalities across the country.
98	4/29/2020	Stephanie Ferry	Raymond James	Would the MLF consider the use of a Letter of Credit, Bond Insurance or other form of credit enhancement/guaranty for issuers that must borrow through an Eligible Issuer? Louisiana has 1 qualified local government – the City of New Orleans/Orleans Parish. All other locals governments would need to borrow through the State, including the capitol city of Baton Rouge.
99	4/29/2020	Marc Joffe	Reason Foundation	The FAQ says the following: "An Eligible Issuer that is a State, City, or County (or, subject to Federal Reserve review and approval, an entity that issues securities on behalf of the State, City, or County, respectively, for the purpose of managing its cash flows) must have been rated at least BBB-/Baa3 as of April 8, 2020, by two or more major nationally recognized statistical rating organizations (NRSROs)." According to this rating list - https://www.treasurer.ca.gov/ratings/current.asp - there are two US states, Nebraska and Wyoming, that carry only one rating from a major NRSRO. Also, there are several large counties and cities that have only one NRSRO rating. Will they be excluded from the program?
100	4/29/2020	Daniel Zheng	J.P. Morgan	Quick question. On the list of eligible muni issuers, I see City of Detroit, Michigan (https://www.newyorkfed.org/medialibrary/media/markets/municipal-liquidity-facility-eligible-issuers) However, as per Bloomberg, Detroit's GO debt is currently rated Ba3/BB-, which means it would not qualify for the MLF under the ratings criteria for investment grade issuers as of 4/8/2020. Is this the correct interpretation However, as per Bloomberg, Detroit's GO debt is currently rated Ba3/BB-, which means it would not qualify for the MLF under the ratings criteria for investment grade issuers as of 4/8/2020. Is this the correct interpretation? Will they be excluded from the program?
101	4/29/2020	Josh Martin	American Defense International	Jennifer Gallagher with Congressional Affairs suggested I reach out to you. We work with Drexel University, a private, not-for-profit research university located in Philadelphia, PA. Like many colleges and universities they are exploring multiple opportunities to help stabilize their financial situation due to the coronavirus outbreak. We have a question regarding MLF—are states, cities and/ or counties able to lend the proceeds of Eligible Notes sold to the Municipal Liquidity

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				Facility (MLF) to private institutions of higher education? Any guidance you can give us on this would be extremely helpful. More than happy to get on a call to discuss if the answer isn't straightforward. Thanks for your time and consideration.
102	4/30/2020	Michael Schmitz	Antero Group	Do you have any specific resources on grants and funds available to lower population counties and cities in Texas? These counites generally have populations less than 120,000 and cities range in population 800-40,000.
103	4/30/2020	John Shelburne	CatFIX Technology LLC	Hi. I would like to know if PFM Financial Advisors site is https : //www.pfm.com/?
104	5/5/2020	Patrick Hosty	Valdes Moreno	I am hoping to learn more about the Federal Reserves Municipal Liquidity Facility program, and specifically if any FRB procurement goals for MBE firms, Small Firms, or opportunities for independent broker dealer firms to participate and apply to help with the MLF program? Sincerely, Patrick Hosty
105	5/6/2020	Elliot Lopez		I would like to inquire as to the nature of cities in US territories or territories in general and whether or not say Puerto Rico (or at least San Juan) is included in the Facility. This is because San Juan is technically in the US by virtue of being a within a US territory and meets the population size requirement for the facility. Thank you, I hope to hear from you soon, and keep up with the good work down there. Sincerely, Elliot (merely a concerned citizen)