

Federal Reserve Municipal Liquidity Facility Checklist

Released by the Federal Reserve Board April 9, 2020¹

On April 9, 2020, the Federal Reserve Board expanded the Municipal Liquidity Facility (“MLF”) as part of the growing list of government actions aimed at rehabilitating the economy through an unprecedented \$2.3 trillion in loans, loan guarantees, and other investments.

The MLF is intended to assist state and local governments better manage cash flow stresses caused by the COVID-19 pandemic and better serve households and business in their communities through the purchase of short term notes directly from US states, US counties, and US cities.

Lending for the MLF will be implemented through a single special purpose vehicle (“SPV”) which will purchase eligible notes directly from the eligible issuer at time of issuance. The Federal Reserve Bank will commit to lend to the SPV and will be secured by all the assets in the SPV. The Treasury will make an initial investment of \$35 billion in the SPV, and the SPV may purchase up to \$500 billion of Eligible Notes.

The SPV will cease purchases under the MLF on September 30, 2020, unless extended by the Federal Reserve Board and Treasury Department. The Federal Reserve Bank will continue to fund the SPV beyond September 30, however, until the SPV’s underlying assets mature or are sold.

Eligible Notes

Eligible Notes (“Notes”) are:

- Tax anticipation notes (TANS)
- Tax and revenue anticipation notes (TRANS)
- Bond anticipation notes (BANs)
- Other short-term notes, which must mature within 24 months from issuance

Eligibility Review

All Notes are subject to approval by the Federal Reserve, which may require relevant legal opinions and disclosures prior to purchase on a case-by-case basis.

Eligible Issuer

The following governmental entities (incl. instrumentalities thereof) are eligible:

- US states and the District of Columbia (together, “States”)
- US cities with a population over 1 million residents (“Cities”)
- US counties with a population over 2 million residents (“Counties”)

Note: Only one issuer per State, City, or County is eligible.

Limit	<p>The SPV may purchase Notes:</p> <ul style="list-style-type: none"> • Issued by or on behalf of a State, City or County • In one or more issuances • Up to an aggregate amount of 20% of the general revenue from its own sources and utility revenue of the applicable State, City or County <p>States may request that the SPV purchase Notes in excess of the limits to aid otherwise ineligible instrumentalities.</p>
Pricing	<p>Pricing will be based on the Issuer's rating at the time of purchase.</p>
Origination Fee	<p>Each Issuer shall pay an origination fee equal to 10 basis points of the principal amount of the Notes purchased by the SPV.</p> <p>The origination fee may be paid with issuance proceeds.</p>
Call Right	<p>The Issuer may call Notes purchased by the SPV at any time at par.</p>
Eligible Use of Proceeds	<p>An Issuer may use the proceeds of the Notes purchased by the SPV to:</p> <ul style="list-style-type: none"> • Manage the cash flow impact of income tax deferrals due to an extension of a tax filing deadline • Cover potential reductions of tax and other revenues, increased expenses related to or due to the coronavirus pandemic • Pay principal and interest on obligations of the relevant State, City, or County • Purchase similar notes issued by (or otherwise assist) political subdivisions or instrumentalities for the purposes listed above