Federal Reserve to Create Municipal Liquidity Facility

April 9, 2020 – The Federal Reserve announced a series of actions[1] to provide as much as $2.3 trillion in additional aid during the COVID-19 pandemic, including starting programs to help small and mid-sized businesses as well as state and local governments.

In addition to a Main Street Lending Facility, which will deliver funding to companies much bigger than those yet eligible for help, the Fed is creating a Municipal Liquidity Facility with up to $500 billion in loans to help state and local governments manage cash flow stresses due to the pandemic.

Through the Municipal Liquidity Facility, the Fed will begin to buy short-term debt from states, counties with at least 2 million people, and cities with a population of 1 million and above. Additionally, the Treasury will provide $35 billion of credit protection to the Fed for this lending facility using funds appropriated by the CARES Act (P.L. 116-136[2]).