



Yale SCHOOL OF MANAGEMENT
Program on Financial Stability

EliScholar – A Digital Platform for Scholarly Publishing at Yale

YPFS Resource Library

7-31-2020

Report on Outstanding Lending Facilities Authorized by the Board under Section 13(3) of the Federal Reserve Act - July 31, 2020

Federal Reserve System: Board of Governors

<https://elischolar.library.yale.edu/ypfs-documents/12412>

This resource is brought to you for free and open access by the Yale Program on Financial Stability and [EliScholar](#), a digital platform for scholarly publishing provided by Yale University Library. For more information, please contact ypfs@yale.edu.

Report on Outstanding Lending Facilities
Authorized by the Board under Section 13(3) of the Federal Reserve Act
July 31, 2020

Overview

The Board of Governors of the Federal Reserve System (Board) is providing the following report concerning the lending facilities established by the Board under section 13(3) of the Federal Reserve Act (12 U.S.C. § 343). Pursuant to the Board’s Regulation A,¹ the Board is required to provide a report to the public and the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives (the Committees) no later than seven days after renewing a program or facility under section 13(3)(C) of the Federal Reserve Act.

This report describes the Board’s approval, on July 27, 2020, of an extension until December 31, 2020, of the termination date for certain emergency lending facilities previously authorized by the Board under section 13(3) of the Federal Reserve Act. These emergency lending facilities include the Primary Dealer Credit Facility (PDCF), Money Market Mutual Fund Liquidity Facility (MMLF), Primary Market Corporate Credit Facility (PMCCF), Secondary Market Corporate Credit Facility (SMCCF), Term Asset-Backed Securities Loan Facility (TALF), Paycheck Protection Program Liquidity Facility (PPPLF), and the Main Street Lending Program (MSLP), which includes the Main Street New Loan Facility, Main Street Expanded Loan Facility, Main Street Priority Loan Facility, Nonprofit Organization New Loan Facility, and the Nonprofit Organization Expanded Loan Facility (together, the facilities).²

Basis for Extension

On July 27, 2020, the Board and the Secretary of the Treasury approved the extension of the facilities from on or around September 30, 2020, until December 31, 2020. As described in the Board’s initial reports to the Committees regarding the facilities, the Board took into consideration the disruptions in financial markets and economic activity caused by the COVID-19 pandemic when

¹ 12 CFR part 201.

² The Board previously authorized the Commercial Paper Funding Facility and the Municipal Liquidity Facility to operate until March 17, 2021, and December 31, 2020, respectively. These termination dates have not been changed.

it initially authorized the facilities. Specifically, the Board considered the presence and extent of volatility and illiquidity in financial markets. The Board also assessed the price and availability of credit in the market or sector targeted by each facility as compared to normal market conditions. In addition, the Board considered the effects of the pandemic on economic activity generally, including unemployment claims and the effects of the pandemic on the revenues and expenses of businesses and municipalities.

Although financial markets have stabilized significantly, output and employment remain far below their pre-pandemic levels. In addition, there is substantial continued uncertainty related to the economic effects of the COVID-19 pandemic, and near-term risks associated with the course of the virus and its effect on the economy and the financial system remain high.

The Board's Regulation A provides that an emergency lending facility may be renewed if the Board finds that unusual and exigent circumstances continue to exist and the facility continues to appropriately provide liquidity to the financial system.³ On July 27, 2020, based on the continued economic disruptions described above, the Board extended the termination date for each facility until December 31, 2020. The terms of the facilities are otherwise unchanged as result of this action. A brief description of each facility is provided below. Additional information regarding each facility may be found in the Board's previous reports to the Committees regarding the facilities and at the websites listed below.

Extended Emergency Lending Facilities

A. Primary Dealer Credit Facility

On March 17, 2020, the Board authorized the Federal Reserve Bank of New York (FRBNY) to establish and operate the PDCF. The PDCF is a term loan facility that provides funding to primary dealers in exchange for a broad range of collateral and is intended to foster the functioning of financial markets more generally. The facility allows primary dealers to support smooth market functioning and facilitate the availability of credit to businesses and households. Additional information concerning the PDCF can be found on the Board's public website at <https://www.federalreserve.gov/monetarypolicy/pdcf.htm>.

³ 12 CFR 201.4(d)(9)(ii).

B. Money Market Mutual Fund Liquidity Facility

On March 18, 2020, the Board authorized the Federal Reserve Bank of Boston (FRBB) to establish and operate the MMLF. The MMLF provides funding to U.S. depository institutions and bank holding companies to finance their purchases of certain types of assets from money market mutual funds under certain conditions. The program is intended to assist money market mutual funds that hold such paper in meeting demands for redemptions by investors and to foster liquidity in the markets for the assets held by money market mutual funds, including the market for short-term municipal securities. Additional information concerning the MMLF can be found on the Board's public website at <https://www.federalreserve.gov/monetarypolicy/mmlf.htm>.

C. Corporate Credit Facilities

On March 22, 2020, the Board authorized the FRBNY to establish and operate two facilities to support credit to large employers—the PMCCF for new bond and loan issuance and the SMCCF to provide liquidity for outstanding corporate bonds (together, the CCFs). The FRBNY has established one special purpose vehicle (SPV) to manage and operate the CCFs. Additional information about the CCFs can be found on the Board's public website at <https://www.federalreserve.gov/monetarypolicy/pmccf.htm> and <https://www.federalreserve.gov/monetarypolicy/smccf.htm>.

D. Term Asset-Backed Securities Loan Facility

On March 22, 2020, the Board authorized the FRBNY to establish and operate the TALF. Under the TALF, the FRBNY will lend to an SPV, which will make loans to U.S. companies secured by certain AAA-rated asset-backed securities (ABS) backed by recently originated consumer and business loans. The TALF is intended to support the provision of credit to consumers and businesses by enabling the issuance of ABS backed by private student loans, auto loans and leases, consumer and corporate credit card receivables, certain loans guaranteed by the Small Business Administration, and certain other assets. Additional information about the TALF can be found on the Board's public website at <https://www.federalreserve.gov/monetarypolicy/talf.htm>.

E. Paycheck Protection Program Liquidity Facility

On April 8, 2020, the Board authorized each of the 12 Federal Reserve

Banks to establish and operate the PPPLF. The PPPLF offers a source of liquidity to the financial institution lenders that lend to small businesses through the Small Business Administration's Paycheck Protection Program. Additional information about the PPPLF can be found on the Board's public website at <https://www.federalreserve.gov/monetarypolicy/ppplf.htm>.

F. Main Street Lending Program

The Board has authorized a Main Street Lending Program (MSLP) to support lending to small and medium-sized businesses and nonprofit organizations. The MSLP includes five facilities: the Main Street New Loan Facility and Main Street Expanded Loan Facility, which were authorized on April 8, 2020; the Main Street Priority Loan Facility, which was authorized on April 30, 2020; and the Nonprofit Organization New Loan Facility and Nonprofit Organization Expanded Loan Facility, which were authorized on July 16, 2020. The FRBB has established one SPV to manage and operate all five facilities. Additional information about the MSLP may be found on the Board's public website at <https://www.federalreserve.gov/monetarypolicy/mainstreetlending.htm>.