



The Fed's Recent Responses to the COVID-19 Financial Crisis
Reviewed April 13, 2020

The Federal Reserve System ("the Fed") is the central banking system of the U.S. The Fed's three functions are to (1) conduct the nation's monetary policy, (2) provide and maintain an effective and efficient payment system, and (3) supervise and regulate banking operations. Congress established three key objectives for the Fed: maximizing employment, stabilizing prices, and moderating long-term interest rates.

The average person may only witness Fed action through its Federal Open Market Committee addressing interest rates. However, its duties, activities, authorities, and tools are wide-ranging and powerful. The Fed flexes that muscle in ways almost never before in its recent response to the COVID-19 financial crisis.

The Fed announced on April 9, 2020 that is creating or expanding the nine lending programs below to provide up to \$2.3 trillion in loans.

Congress and Treasury have made possible this new generation of lending programs by extending nearly \$450 billion to cover losses the Fed might sustain in its programs.

The steps introduced Thursday will finance loans that banks make through the government's small-business lending program and allow banks to exclude those loans from required capital ratios.

The Fed and Treasury are seeking input up until April 16 on the Main Street Lending Facilities. You should begin conversations with your current lender about this program.

	Acronym	Name	March 23, 2020 Actions	April 9, 2020 Actions	Observations/Notes
1	PMCCF	Primary Market Corporate Credit Facility	Established. Will serve as a funding backstop for corporate debt issued by Eligible Issuers. Under the PMCCF, the Federal Reserve Bank of NY will commit to lend to a SPV on a recourse basis. The SPV will (i) purchase qualifying bonds from Eligible Issuers and (ii) provide loans to Eligible Issuers. The Reserve Bank will be secured by all the assets of the SPV. The Department of the Treasury, using the ESF, will make an initial \$10 billion equity investment in the SPV in connection with the PMCCF	Treasury increases equity investment to \$75 billion in the SPV to support both the PMCCF and the SMCCF. The initial allocation will be \$50 billion toward the PMCCF and \$25 billion toward the SMCCF. The combined size of the PMCCF and the SMCCF will be up to \$750 Billion. Terms sheet is expanded and refined. Definitions generally are more restricted and are refined.	See attached Term Sheet updated and effective as of 4/9/2020.
2	SMCCF	Secondary Market Corporate Credit Facility	Established. Under the Secondary Market Corporate Credit Facility ("Facility"), the Federal Reserve Bank of New York ("Reserve Bank") will lend, on a recourse basis, to a special purpose vehicle ("SPV") that will purchase in the secondary market corporate debt issued by eligible issuers. The SPV will purchase eligible individual corporate bonds as well as eligible corporate bond portfolios in the form of exchange traded funds ("ETFs") in the secondary market. The Reserve Bank will be secured by all the assets of the SPV. The Department of the Treasury, using the Exchange Stabilization Fund, will make an initial \$10 billion equity investment in the SPV in connection with the Facility.	Treasury increases equity investment to \$75 billion in the SPV to support both the PMCCF and the SMCCF. The initial allocation will be \$50 billion toward the PMCCF and \$25 billion toward the SMCCF. The combined size of the PMCCF and the SMCCF will be up to \$750 Billion. The issuer definition was made more restrictive.	See attached Term Sheet updated and effective as of 4/9/2020.



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3	TALF	Term Asset-Backed Securities Loan	<p>Established The TALF is a credit facility authorized under section 13(3) of the Federal Reserve Act intended to help meet the credit needs of consumers and small business by facilitating the issuance of ABS and improving the market conditions for ABS more generally. The TALF will serve as a funding backstop to facilitate the issuance of eligible ABS on or after March 23, 2020. Under the TALF the Federal Reserve Bank of New York will commit to lend to a SPV on a recourse basis. The Department of the Treasury will make an equity investment of \$10 billion in the SPV in connection with the TALF. The TALF SPV initially make up to \$10 billion of loans available. The loans will have a term of three years; will be nonrecourse to the borrower,; and will be fully secured by eligible ABS.</p>	<p>The definition of Eligible Borrower was made more restrictive. The term "Eligible Collateral" was expanded. The new Terms Sheet has a "Haircut Schedule" that discounts the amount to be loaned based on the type of underlying assets.</p>	<p>See attached Term Sheet updated and effective as of 4/9/2020.</p>
4	MMLF	Money Market Mutual Fund Liquidity Facility	<p>Established. To provide liquidity to Money Market Mutual Funds, the Federal Reserve Bank of Boston will lend to eligible borrowers, taking as collateral certain types of assets purchased by the borrower from Funds.</p>		<p>See attached Term Sheet effective 3/23/2020.</p>
5	CPFF	Commercial Paper Funding Facility	<p>Established. The CPFF will be structured as a credit facility to a SPV that will serve as a funding backstop to facilitate the issuance of term commercial paper by eligible issuers.</p>		<p>See attached description effective 3/23/2020.</p>
6	PPPLF	Paycheck Protection Program Liquidity Facility		<p>Established. Supply liquidity to the SBA's PPP by supplying liquidity to participating financial institutions through term financing backed by PPP loans to small businesses. The PPPFL will extend credit to eligible financial institutions that originate PPP loans, taking the loans as collateral at face value.</p>	<p>See attached Term Sheet effective April 9, 2020. Borrower is the lending institution.</p>



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7	MSNLF	Main Street New Loan Facility		Established. Will enhance support for small and mid-sized business that were in good financial standing before the crisis by offering 4-year loans to companies employing up to 10,000 workers or with revenues of less than \$2.5 Billion in 2019 revenue. The Main Street Loan Program (both New and Expanded) is available for businesses that were in good financial standing before the crisis, and lenders will be expected to use customary underwriting standard to ensure that these loans are prudently incurred and are not provided to insolvent entities or a debtor in a bankruptcy proceeding.	See attached Term Sheet effective April 9, 2020. The combined size of the New and Expanded loan facilities will be up to \$600 billion. The Main Street Loan Program (both New and Expanded) is available to businesses in addition to loans received under the PPP. Also, see attached Cooley: "Treasury and Federal Reserve Board Announce Details of \$600 Billion Main Street Lending Program." Used with permission.
8	None	Main Street Expanded Loan Facility		Established.	See attached Term Sheet effective April 9, 2020. Provides for the purchase by the Federal Reserve from eligible lenders of upsized tranches of existing loans originated before April 8, 2020. Also, see attached Cooley: "Treasury and Federal Reserve Board Announce Details of \$600 Billion Main Street Lending Program." Used with permission.
9	None	Municipal Liquidity Facility		Established. This facility will offer up to \$500 billion in lending to states and Municipalities. The Treasury will provide \$35 billion of credit protection to the Federal Reserve for this facility using funds appropriated by the CARES Acct.	See attached Term Sheet effective April 9, 2020. The Eligible Issuer is a state, city, or county. Only one issuer per State, City (of at least one million residents), or County (of at least two million residents) is eligible.

NOTES:

ESF	Treasury's Exchange Stabilization Fund
VRDN	Municipal Variable Rate Demand Notes
SPV	Special Purpose Vehicle
ABS	Asset-Backed Securities.