Federal Reserve Announces Changes to Its Municipal Lending Facility

On April 27, 2020, the Federal Reserve announced changes to the Municipal Lending Facility described in our April 13, 2020, Client Alert, as updated on April 22, 2020, *Questions and Answers about the Municipal Liquidity Facility Established by the Federal Reserve under the CARES Act*.[1] The press release describing the changes is attached as Attachment I. The new term sheet for the facility is attached as Attachment II.

The changes:

(1) expand the list of Eligible Issuers to include:

(a) any city with a population over 250,000 (compared to the 1 million original minimum);

(b) any county with a population over 500,000 (compared to the 2 million original minimum); and

(c) any multi-state entity established under the Compact Clause of the US Constitution.

(2) impose an investment grade rating requirement for Eligible Issuers (compared to an unspecified standard satisfactory to the Federal Reserve);

(3) extend to three years the maximum maturity of Eligible Notes (compared to 2 years originally);

(4) extend the availability of the facility from September 30, 2020, to December 31, 2020;

(5) establish an expectation that Eligible Notes purchased under the facility will be general or revenue obligations "generally consistent with the source of repayment and strongest security typically pledged to repay publicly offered obligations of the Eligible Issuer"; and

(6) clarify and modify other matters in the term sheet as shown on the marked version of the term sheet attached as Attachment III showing the differences between the original and new term sheets.

At the same time, the Federal Reserve Bank of New York (FRBNY), as sole Reserve Bank lender for the facility, issued a FAQs for the facility that is attached as Attachment IV. After first describing in more detail the changes to the term sheet outlined above, we update below our Questions and Answers in our earlier Client Alert based on those changes and the FRBNY FAQs.

1. The expanded list of Eligible Issuers.

(a) *Cities* and (b) *Counties*: The Federal Reserve has established the eligibility of cities based on 2018, and counties based on 2019, Census Bureau data. Attachment V (which is Appendix A to the FAQs) lists every city and county that can be an Eligible Issuer based on that population data. The Federal Reserve explained that list will not change based on any population updates.

(c) *Multi-State Entities*: There are currently over 200 Multi-State Entities.[2] The term sheet does not limit such entities, so that any newly created Multi-State Entity should be able to become an Eligible Issuer by meeting the other requirements for an Eligible Issuer.

2. The investment grade rating requirement.

States, counties, and cities (including any entity that issues on its behalf, as explained below) must have been rated investment grade (*i.e.*, BBB-/Baa3 or higher) by at least two nationally recognized statistical rating organizations (NRSROs) as of April 8, 2020. If such an issuer has been downgraded since April 8, 2020, it must be rated at least BB-/Ba3 at the time the facility purchases an Eligible Note from that issuer.

Multi-State Entities are subject to the higher rating requirement of A-/A3 as of April 8, 2020. If downgraded, they must still be rated at least BBB-/Baa3 at the time the facility purchases an Eligible Note from such an issuer. As with the other Eligible Issuers, a Multi-State Entity must have the required ratings from at least two NRSROs.

3. The new maturity limit for Eligible Notes.

The revised term sheet permits Eligible Notes to have a maturity of up to three years, rather than the two-year limit in the original term sheet. The Federal Reserve retains the right to review each Eligible Note and has no obligation to purchase any note. This is also, of course, true for the new rating requirements. The Federal Reserve has no obligation to purchase an Eligible Note under the facility just because it meets the minimum rating requirements.

4. The extended availability of the facility and possible further support.

In addition to extending the facility to December 31, 2020, "to provide eligible issuers more time and flexibility," the Federal Reserve stated in its press release that it "will continue to closely monitor conditions in 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."

5. General expectations regarding source of repayment and security for Eligible Notes.

While not establishing any firm requirements for Eligible Notes beyond the ratings requirements described in item 2 above, the Federal Reserve explained the notes should be "generally consistent with the source of repayment and strongest security typically pledged to repay publicly offered obligations of the Eligible Issuer," as noted above, and that for States, counties, and cities "will generally be expected to represent general obligations of the Eligible Issuer, or be backed by tax or other specified governmental revenues of the applicable State, City, or County." In addition, if "the Eligible Issuer is an authority, agency, or other entity of a State, City, or County, such Eligible Issuer must either commit the credit of, or pledge revenues of, the State, City, or County, or the State, City, or County must guarantee the Eligible Notes issued by such issuer."

For Multi-State Entities, "the Eligible Notes will be expected to be parity obligations of existing debt secured by a senior lien on the Multi-State Entity's gross or net revenues."

6. Call rights eliminated and replaced with partial or full prepayment only if Federal Reserve approves.

The original term sheet provided an Eligible Issuer could call Eligible Notes at any time at par. The new term sheet provides Eligible Notes "may be prepaid by the Eligible Issuer at any time, in whole or in part, at par prior to maturity with the approval of the Federal Reserve."

7. Additions, clarifications, and elaborations.

(a) *Possibility of more than one issuer per Eligible Issuer.* The term sheet continues to state that only "one issuer per State, City, County, or Multi-State Entity is eligible," but adds that "the Federal Reserve may approve one or more additional issuers per State, City, or County to facilitate the provision of assistance to political subdivisions and other governmental entities of the relevant State, City, or County."

This suggests the Federal Reserve would consider a request from a State, county, or city to permit multiple entities to issue Eligible Notes on its behalf. The FAQs provides no indication how the Federal Reserve would consider such a request.

(b) *Exact dollar limits specified for each State, county, and city.* The term sheet continues to specify the "SPV may purchase Eligible Notes issued by or on behalf of a State, City, or County in one or more issuances of up to an aggregate amount of 20% of the general revenue from own sources and utility revenue (OGSUR) of the applicable State, City, or County government for fiscal year 2017," but Appendix A to the FAQs,[3] which is Attachment V to this Client Alert, specifies both the OGSUR and the maximum aggregate Eligible Note amount for each State, county, and city eligible to become an Eligible Issuer, subject to the original term sheet's proviso that the Federal Reserve will consider additional lending "in excess of the applicable limit in order to assist political subdivisions and other governmental entities that are not eligible for the Facility." Also, the FAQs notes that " The list in Appendix A may be revised if changes are made to the MLF. Please check this website for any revisions and sign up for email alerts."

(c) *Greater flexibility in use of proceeds*. As shown in the Attachment III marked version of changes to the term sheet, the Use of Proceeds section now permits Eligible Issuers to use funds to cover deferrals, not only reductions, in tax receipts related to the pandemic and to pay outstanding principal and interest on obligations of not only the Eligible Issuer but also its political subdivisions or other governmental entities.

(d) *"Instrumentalities" replaced with "entity" or "governmental entity."*

The new term sheet replaces references to "instrumentality" with "entity" or "government entity," so that a State, county, or city can issue through an "entity" (that issues securities on behalf of the State, City, or County for the purpose of managing its cash flows) rather than an "instrumentality" and a State, county, or city can use the proceeds of Eligible Notes to purchase securities issued by political subdivisions and "other governmental entities" rather than "instrumentalities."

Updated Questions and Answers Reflecting the April 27, 2020 Term Sheet

What is the purpose of the municipal liquidity facility?

The term sheet states that the facility "will support lending" to States, the District of Columbia, cities with a population over 250,000, counties with a population over 500,000, and Multi-State Entities. The facility, however, does not "support" such lending by purchasing municipal debt in the secondary market. Instead, the facility provides for purchases of certain short-term securities directly from the State (including DC), city, county, or Multi-State Entity that issues (or on whose behalf another entity issues) the securities. The facility, therefore, provides direct funding to the borrowers.

The FAQs explains that the "immediate purpose" of the facility "is to enhance the liquidity of the primary short-term municipal securities market through the purchase" of Eligible Notes at issuance. "The Eligible Issuer's proceeds from the sale of Eligible Notes to the SPV can in turn be used to support its political subdivisions and public authorities, among other uses. The Facility will provide a form of cash management financing to Eligible Issuers. In addressing the cash management needs of Eligible Issuers, the Facility will also help restore confidence in the municipal securities market."

Will this be the only facility the Federal Reserve will establish to help municipal issuers?

The FAQs explains that the "Federal Reserve 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."

How will the Federal Reserve fund States, cities, or counties under the facility?

The Federal Reserve Bank of New York (FRBNY) will make loans to a single special purpose vehicle (SPV) to finance the SPV's purchases of "Eligible Notes" issued by "Eligible Issuers."

As noted above, the FRBNY has issued a FAQs[4] that provides details for the facility, and which is also attached as Attachment IV to this Client Alert.

How will the FRBNY administer the program?

The FAQs explains that the FRBNY has selected PFM Financial Advisors LLC (PFM) as its administrative agent" for the facility. In serving as the administrative agent, PFM will coordinate and review the applications" under the facility based on criteria established by the FRBNY.

The FAQs also explains that questions about the facility should be directed to this link[5] or via email to MLF@ny.frb.org.

You can also sign up for updates about the facility at email alerts.[6]

What is an Eligible Issuer under the facility?

Any State, including the District of Columbia, any city with a population of more than 250,000, as identified on Attachment V, any county with a population of more than 500,000, as identified on Attachment V, any Multi-State Entity, and, subject to Federal Reserve review and approval, an entity that issues securities on behalf of the State, City, or County for the purpose of managing its cash flows.

The FAQs also explain that the "Federal Reserve is also considering expanding" the facility to allow a limited number of governmental entities that provide essential public services on behalf of a State, City, or County to participate directly in the facility as "Eligible Issuers, taking into consideration the objective of quickly and efficiently making" the facility "available to the currently defined set of Eligible Issuers." "The inclusion of any such additional Eligible Issuers would be publicly announced at a future date. The Federal Reserve continues to encourage Eligible Issuers to make funding from the Facility available to their political subdivisions and other governmental entities that are in need of such funding."

What is a Multi-State Entity?

The term sheet explains that a "Multi-State Entity is an entity that was created by a compact between two or more States, which compact has been approved by the United States Congress, acting pursuant to its power under the Compact Clause of the United States Constitution.

The National Center for Interstate Compacts has information on such entities.[7] According to the NCIC, there are more than 200 such entities.[8] The Port Authority of New York and New Jersey is an example of a Multi-State Entity.

Can an Eligible Issuer delegate its borrowing to an entity it has established to issue securities to manage its cash flows?

Yes, except for Multi-State Entities. The term sheet explicitly includes such entities as Eligible Issuers on behalf of a State, county, or city (but not a Multi-State Entity). Only one issuer per State, City, or County, or Multi-State Entity is eligible, *unless* the Federal Reserve approves one or more additional issuers per State, city, or county to "facilitate the provision of assistance to political subdivisions and other governmental entities" of the relevant State, city, or county.

Thus, either (a) a State or (b) an entity that issues securities on behalf of the State could issue Eligible Notes, but both could not, *unless* the Federal Reserve approves otherwise, as described above. The same would be true for any county or city eligible to issue Eligible Notes under this facility.

The FAQs explains that such an issuing entity must either (1) have the ability to commit the credit of, or pledge revenues of, or (2) be guaranteed by, the applicable State, city, or county."

How many eligible issuers could there be in any single State?

There is no limit on the number of cities or counties that could be Eligible Issuers in a single State, so long as each has the required population. In addition, as noted in answer to the previous question, the Federal Reserve can approve more than one issuer for each Eligible Issuer, but the general rule is only one issuer per State, city, or county, or Multi-State Entity is eligible.

What is the rating requirement for an Eligible Issuer?

As explained above, States, counties, and cities (including any entity that issues on its behalf, as explained below) must have been rated investment grade (*i.e.*, BBB-/Baa3 or higher) by at least *two* nationally recognized statistical rating organizations (NRSROs) as of April 8, 2020. If such an issuer has been downgraded since April 8, 2020, it must be rated at least BB-/Ba3 at the time the facility purchases an Eligible Note from that issuer.

Multi-State Entities are subject to the higher rating requirement of A-/A3 as of April 8, 2020. If downgraded, they must still be rated at least BBB-/Baa3 at the time the facility purchases an Eligible Note from such an issuer. As with the other Eligible Issuers, a Multi-State Entity must have the required ratings from at least *two* NRSROs.

What are the available NSROs?

The FAQs explains: "Currently, the ratings criteria for the MLF refer to ratings provided by three NRSROs: S&P Global Ratings, Moody's Investor Service, Inc., and Fitch Ratings, Inc. The Federal Reserve is considering including other NRSROs under the MLF."

Will each Eligible Note need to be rated?

Yes, either through a ratings reaffirmation or a new rating. The FAQs states that " at the time of sale or pricing of the Eligible Notes, the Federal Reserve will require a confirmation of any outstanding long-term ratings of the Eligible Issuer by each major NRSRO that has an outstanding rating of the Eligible Issuer relating to the same type or source of repayment and security as is offered for the Eligible Notes, along with evidence that such NRSROs have been notified of the issuance of the Eligible Notes by the Eligible Issuer. If an Eligible Issuer does not have an outstanding long-term rating, it will be required to apply for and be assigned a rating on the Eligible Notes by at least two major NRSROs prior to the sale or pricing of the Eligible Notes."

What is an Eligible Note that the SPV could purchase under the facility?

The term sheet states: "Eligible Notes are tax anticipation notes (TANs), tax and revenue anticipation notes (TRANs), bond anticipation notes (BANs), and other similar short-term notes issued by Eligible Issuers, provided that such notes mature no later than 36 months from the date of issuance. In each case, a note's eligibility is subject to review by the Federal Reserve."

Obviously, the Federal Reserve will determine on a case by case basis what "notes" it will permit the SPV to purchase. It seems clear the Federal Reserve intends to fund notes that are expected to be repaid from future (1) taxes and other revenues, (2) bond issuances, or (3) other moneys that the issuer can foresee receiving.

The FAQs explains "TANs and TRANs are generally backed by and rated based on the anticipated receipt of tax and other revenues over the course of a fiscal year or longer, in amounts sufficient to pay off the notes by maturity." On the other hand, "BANs are issued in anticipation of future bond issuance and are typically not secured by a pledged revenue stream, but are rated based on the long-term credit rating of the issuer and its assumed future market access for refinancing (either as new BANs or long-term bonds)."

Can Eligible Notes be either general or revenue obligations?

Yes. The term sheet states "The source of repayment and security for Eligible Notes will depend on the applicable constitutional and statutory provisions governing the Eligible Issuer and should be generally consistent with the source of repayment and strongest security typically pledged to repay publicly offered obligations of the Eligible Issuer. Eligible Notes issued by Eligible Issuers that are not Multi-State Entities will generally be expected to represent general obligations of the Eligible Issuer, or be backed by tax or other specified governmental revenues of the applicable State, City, or County. If the Eligible Issuer is an authority, agency, or other entity of a State, City, or County, such Eligible Issuer must either commit the credit of, or pledge revenues of, the State, City, or County, or the State, City, or County must guarantee the Eligible Notes issued by such issuer."

What would be the security for Eligible Notes issued by Multi-State Entities?

The term sheet states that a Multi-State Entity's Eligible Notes "will be expected to be parity obligations of existing debt secured by a senior lien on the Multi-State Entity's gross or net revenues."

Is three years the maximum maturity for the Eligible Notes sold to the SPV?

Yes. As quoted above, the term sheet specifies that Eligible Notes must "mature no later than 36 months from the date of issuance."

Is there a limit on the amount of Eligible Notes an Eligible Issuer can sell to the SPV?

Yes. The term sheet states: "The SPV may purchase Eligible Notes issued by or on behalf of a State, City, or County in one or more issuances of up to an aggregate amount of 20% of the general revenue from own sources and utility revenue of the applicable State, City, or County government for fiscal year 2017."

As explained above, Appendix A to the FAQs (Attachment V to this Client Alert) lists the maximum aggregate Eligible Note amount for each State, county, and city eligible to become an Eligible Issuer, subject to the proviso that the Federal Reserve will consider additional lending "in excess of the applicable limit in order to assist political subdivisions and other governmental entities that are not eligible for the Facility." Also, the FAQs notes that " The list in Appendix A may be revised if changes are made to the facility. Please check this website for any revisions and sign up for email alerts." In establishing such amounts, the term sheet links to this U.S. Census Bureau webpage[9] for those revenue amounts.

What does it mean that a State "may request that the SPV purchase Eligible Notes in excess of" this limit "to assist political subdivisions and instrumentalities that are not eligible for the Facility"?

The Federal Reserve seems to contemplate that it might approve extra Eligible Note issuances to permit a State to provide additional funding to cities and counties that do not meet the population requirements for direct issuances of Eligible Notes or for other political subdivisions and other governmental entities that are not eligible for the facility.

Is an Eligible Issuer otherwise restricted in how it can use the proceeds from the sale of Eligible Notes?

Yes. The term sheet states: "An Eligible Issuer may use the proceeds of Eligible Notes purchased by the SPV to help manage the cash flow impact of income tax deferrals resulting from an extension of an income tax filing deadline; deferrals or 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 Eligible Issuer or its political subdivisions or other governmental entities. An Eligible Issuer (other than a Multi-State Entity) may use the proceeds of the notes purchased by the SPV to purchase similar notes issued by, or otherwise to assist, political subdivisions and other governmental entities of the relevant State, City, or County for the purposes enumerated in the prior sentence."

This suggests an Eligible Issuer will have fairly broad discretion in how it uses the proceeds from Eligible Note sales, including for paying principal of and interest on obligations incurred for purposes unrelated to the COVID-19 pandemic. Aside from such payments on outstanding debt, however, it seems there will need to be some connection to the pandemic.

The FAQs explains that proceeds may also be used "to fund the costs of issuing the Eligible Notes and paying the SPV issuance fee."

What are the fees for an Eligible Issuer to sell Eligible Notes under this facility?

A 10 basis points (*i.e.,* 1/10 of 1%) origination fee on the principal amount of the Eligible Notes sold to the SPV.

This is the only fee specified in the term sheet.

Aside from that 10 bps origination fee, what is the pricing for the Eligible Notes?

The term sheet states: "Pricing will be based on an Eligible Issuer's rating at the time of purchase with details to be provided later."

The FAQs states: "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.

The Federal Reserve will establish a pricing methodology that will be broadly applicable to all Eligible Issuers. The methodology will be based on the Eligible Issuer's long-term rating at the time of purchase of the Eligible Notes and the maturity of the Eligible Notes, plus a spread over a publicly available benchmark or index."

The "penalty rate" is required by law (Section 13(3) of the Federal Reserve Act, as noted above). This is because the Federal Reserve is supposed to be the "lender of last resort," not a competitor to the normal municipal securities market. In the current circumstances, however, that market is not functioning well, and the facility is intended to address that situation by providing funding above "normal" interest rates.

Does this mean an Eligible Issuer is required to show it can not obtain funding through the normal municipal securities market, including through banks?

The FAQs explains that the "Federal Reserve must obtain evidence that participants" in the facility are "unable to secure adequate credit accommodations from other banking institutions. In certifying whether the issuer is unable to secure adequate credit accommodations from other banking institutions, issuers may consider economic or market conditions in the market intended to be addressed" by the facility "as compared to normal conditions, including the availability and price of credit. Lack of adequate credit does not mean that no credit is available. Lending may be available, but at prices or on conditions that are inconsistent with a normal, well-functioning market."

Can an issuer call the Eligible Notes it has sold to the SPV?

No. The original term sheet provided for a call at any time at par, but the new term sheet states: Eligible Notes purchased by the SPV may be prepaid by the Eligible Issuer at any time, in whole or in part, at par prior to maturity with the approval of the Federal Reserve." Thus, the Federal Reserve will need to approve any prepayment.

When can Eligible Issuers begin selling Eligible Notes to the SPV?

The FAQs states: "Federal Reserve staff is working expeditiously to operationalize the MLF. The Federal Reserve will keep market participants apprised and announce in advance when the SPV will commence operations and begin purchasing Eligible Notes." The FAQs also states: Questions should be directed through this link[10] or via email to MLF@ny.frb.org and that anyone can sign up for email alerts email alerts.[11]

For how long will the SPV make such purchases?

Until December 31, 2020, unless the Federal Reserve extends that date. The term sheet states: "The SPV will cease purchasing Eligible Notes on September 31, 2020, unless the Board and the Treasury Department extend the Facility. The Reserve Bank will continue to fund the SPV after such date until the SPV's underlying assets mature or are sold."

For More Information

If you would like further information concerning the matters discussed in this article, please contact the Chapman attorney with whom you regularly work.

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1 https://www.chapman.com/insights-publications-Federal_Reserve_Municipal_Liquidity_Facility_CARES_Act.html

2 https://www.csg.org/knowledgecenter/docs/ncic/FactSheet.pdf

3 https://www.newyorkfed.org/medialibrary/media/markets/municipal-liquidity-facility-eligible-issuers

4 https://www.newyorkfed.org/markets/municipal-liquidity-facility/municipal-liquidity-facility-faq

5 http://www.federalreserve.gov/apps/contactus/feedback.aspx?refurl=/muni/

6 https://public.govdelivery.com/accounts/USFRBNEWYORK/subscriber/new?topic_id=USFRBNEWYORK_486

7 https://www.csg.org/NCIC/compacts.aspx

8 https://www.csg.org/knowledgecenter/docs/ncic/FactSheet.pdf

9 https://www.census.gov/data/datasets/2017/econ/local/public-use-datasets.html

10 http://www.federalreserve.gov/apps/contactus/feedback.aspx?refurl=/muni/

11 https://public.govdelivery.com/accounts/USFRBNEWYORK/subscriber/new?topic_id=USFRBNEWYORK_486

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ATTACHMENT I

Press Release

April 27, 2020

Federal Reserve Board announces an expansion of the scope and duration of the Municipal Liquidity Facility

For release at 4:30 p.m. EDT

Share

The Federal Reserve Board on Monday announced an expansion of the scope and duration of the Municipal Liquidity Facility (MLF). The facility, which was announced on April 9 as part of an initiative to provide up to $2.3 trillion in loans to support U.S. households, businesses, and communities, will offer up to $500 billion in lending to states and municipalities to help manage cash flow stresses caused by the coronavirus pandemic.

The facility, as revised, will purchase up to $500 billion of short-term notes issued by U.S. states (including the District of Columbia), U.S. counties with a population of at least 500,000 residents, and U.S. cities with a population of at least 250,000 residents. The new population thresholds allow substantially more entities to borrow directly from the MLF than the initial plan announced on April 9. The facility continues to provide for states, cities, and counties to use the proceeds of notes purchased by the MLF to purchase similar notes issued by, or otherwise to assist, other political subdivisions and governmental entities. The expansion announced today also allows participation in the facility by certain multistate entities.

To be eligible for the facility, notes must mature no later than 36 months from the date of issuance—an increase from the previously announced 24-month maximum term. In addition, among other rating requirements, eligible issuers must have had an investment grade rating as of April 8, 2020, from at least two major nationally recognized statistical rating organizations. The termination date for the facility has been extended to December 31, 2020 in order to provide eligible issuers more time and flexibility.

The Federal Reserve is also considering expanding the MLF to allow a limited number of governmental entities that issue bonds backed by their own revenue to participate directly in the MLF as eligible issuers. Any decision to include any such additional eligible issuers would be publicly announced at a future date. The Federal Reserve will continue to closely monitor conditions in 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.

The MLF is established under Section 13(3) of the Federal Reserve Act, with approval of the Treasury Secretary. The Treasury will provide $35 billion of credit protection to the Federal Reserve for the facility using funds appropriated by the Coronavirus Aid, Relief, and Economic Security Act.

The Federal Reserve remains committed to using its full range of tools to support the flow of credit to households, businesses, and communities to counter the economic impact of the coronavirus pandemic and promote a swift recovery once the disruptions abate.

For media inquiries, call 202-452-2955.

Term sheet: Municipal Liquidity Facility

Frequently Asked Questions

Frequently Asked Questions: Appendix A

Related Content

Board Votes

Municipal Liquidity Facility

Last Update: April 27, 2020

Municipal Liquidity Facility

Effective April 27, 2020[1]

Facility: The Municipal Liquidity Facility ("Facility"), which has been authorized under Section 13(3) of the Federal Reserve Act, will support lending to U.S. states and the District of Columbia (together, "States"), U.S. cities with a population exceeding 250,000 residents[2] ("Cities"), U.S. counties with a population exceeding 500,000 residents[3] ("Counties"), and Multi-State Entities. Under the Facility, the Federal Reserve Bank of New York ("Reserve Bank") will commit to lend to a special purpose vehicle ("SPV") on a recourse basis. The SPV will purchase Eligible Notes directly from Eligible Issuers at the time of issuance. The Reserve Bank will be secured by all the assets of the SPV. The Department of the Treasury, using funds appropriated to the Exchange Stabilization Fund under section 4027 of the Coronavirus Aid, Relief, and Economic Security Act, will make an initial equity investment of $35 billion in the SPV in connection with the Facility. The SPV will have the ability to purchase up to $500 billion of Eligible Notes.

Eligible Notes: Eligible Notes are tax anticipation notes (TANs), tax and revenue anticipation notes (TRANs), bond anticipation notes (BANs), and other similar short-term notes issued by Eligible Issuers, provided that such notes mature no later than 36 months from the date of issuance. In each case, a note's eligibility is subject to review by the Federal Reserve. Relevant legal opinions and disclosures will be required as determined by the Federal Reserve prior to purchase.

Eligible Issuer: An Eligible Issuer 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 for the purpose of managing its cash flows) or a Multi-State Entity. An Eligible Issuer that is not a Multi-State Entity must have been rated at least BBB-/Baa3 as of April 8, 2020, by two or more major nationally recognized statistical rating organizations ("NRSROs"). An Eligible Issuer that is not a Multi-State Entity and that was rated at least BBB-/Baa3 as of April 8, 2020, but is subsequently downgraded, must be rated at least BB-/Ba3 by two or more major NRSROs at the time the Facility makes a purchase. An Eligible Issuer that is a Multi-State Entity must have been rated at least A-/A3 as of April 8, 2020, by two or more major NRSROs. A Multi-State Entity that was rated at least A-/A3 as of April 8, 2020, but is subsequently downgraded, must be rated at least BBB-/Baa3 by two or more major NRSROs at the time the Facility makes a purchase.

Only one issuer per State, City, County, or Multi-State Entity is eligible; provided that the Federal Reserve may approve one or more additional issuers per State, City, or County to facilitate the provision of assistance to political subdivisions and other governmental entities of the relevant State, City, or County.

Multi-State Entity: A Multi-State Entity is an entity that was created by a compact between two or more States, which compact has been approved by the United States Congress, acting pursuant to its power under the Compact Clause of the United States Constitution.

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[1] The Board of Governors of the Federal Reserve System ("Board") and Secretary of the Treasury may make adjustments to the terms and conditions described in this term sheet. Any changes will be announced on the Board's website.

[2] Source: U.S. Census Bureau, Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2018, as of April 6, 2020 (https://www.census.gov/data/tables/time-series/demo/popest/2010s-total-cities-and-towns.html).

[3] Source: U.S. Census Bureau, "Population, Population Change, and Estimated Components of Population Change: April 1, 2010 to July 1, 2019 (CO-EST2019-alldata)" dataset as of April 6, 2020 (https://www.census.gov/data/datasets/time-series/demo/popest/2010s-counties-total.html#par_textimage_739801612.)

Security for Eligible Notes: Note security will be subject to review and approval by the Federal Reserve. The source of repayment and security for Eligible Notes will depend on the applicable constitutional and statutory provisions governing the Eligible Issuer and should be generally consistent with the source of repayment and strongest security typically pledged to repay publicly offered obligations of the Eligible Issuer. Eligible Notes issued by Eligible Issuers that are not Multi-State Entities will generally be expected to represent general obligations of the Eligible Issuer, or be backed by tax or other specified governmental revenues of the applicable State, City, or County. If the Eligible Issuer is an authority, agency, or other entity of a State, City, or County, such Eligible Issuer must either commit the credit of, or pledge revenues of, the State, City, or County, or the State, City, or County must guarantee the Eligible Notes issued by such issuer. If the Eligible Issuer is a Multi-State Entity, the Eligible Notes will be expected to be parity obligations of existing debt secured by a senior lien on the Multi-State Entity's gross or net revenues.

Limit per State, City, County, and Multi-State Entity: The SPV may purchase Eligible Notes issued by or on behalf of a State, City, or County in one or more issuances of up to an aggregate amount of 20% of the general revenue from own sources and utility revenue of the applicable State, City, or County government for fiscal year 2017.[4] The SPV may purchase Eligible Notes issued by a Multi-State Entity in one or more issuances of up to an aggregate amount of 20% of the Multi-State Entity's gross revenue as reported in its audited financial statements for fiscal year 2019. States may request that the SPV purchase Eligible Notes in excess of the applicable limit in order to assist political subdivisions and other governmental entities that are not eligible for the Facility.

Pricing: Pricing will be based on an Eligible Issuer's rating at the time of purchase with details to be provided later.

Origination Fee: Each Eligible Issuer that participates in the Facility must pay an origination fee equal to 10 basis points of the principal amount of the Eligible Issuer's notes purchased by the SPV. The origination fee may be paid from the proceeds of the issuance.

Prepayment Right: Eligible Notes purchased by the SPV may be prepaid by the Eligible Issuer at any time, in whole or in part, at par prior to maturity with the approval of the Federal Reserve.

Eligible Use of Proceeds: An Eligible Issuer may use the proceeds of Eligible Notes purchased by the SPV to help manage the cash flow impact of income tax deferrals resulting from an extension of an income tax filing deadline; deferrals or 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 Eligible Issuer or its political subdivisions or other governmental entities. An Eligible Issuer (other than a Multi-State Entity) may use the proceeds of the notes purchased by the SPV to purchase similar notes issued by, or otherwise to assist, political subdivisions and other governmental entities of the relevant State, City, or County for the purposes enumerated in the prior sentence.

Termination Date: The SPV will cease purchasing Eligible Notes on December 31, 2020, unless the Board and the Treasury Department extend the Facility. The Reserve Bank will continue to fund the SPV after such date until the SPV's underlying assets mature or are sold.

[4] Source: U.S. Census Bureau, 2017 State & Local Government Historical Datasets and Tables, as of April 6, 2020 (https://www.census.gov/data/datasets/2017/econ/local/public-use-datasets.html).

Municipal Liquidity Facility

Effective April ~~9~~27, 2020[1]

Facility: The Municipal Liquidity Facility ("Facility"), which has been authorized under Section 13(3) of the Federal Reserve Act, will support lending to U.S. states and the District of Columbia (together, "States"), U.S. cities with a population exceeding ~~one million~~250,000 residents[2] ("Cities"), ~~and~~ U.S. counties with a population exceeding ~~two million~~500,000 residents[3] ("Counties"), and Multi-State Entities. Under the Facility, ~~a~~the Federal Reserve Bank of New York ("Reserve Bank") will commit to lend to a special purpose vehicle ("SPV") on a recourse basis. The SPV will purchase Eligible Notes directly from Eligible Issuers at the time of issuance. The Reserve Bank will be secured by all the assets of the SPV. The Department of the Treasury, using funds appropriated to the Exchange Stabilization Fund under section 4027 of the Coronavirus Aid, Relief, and Economic Security Act, will make an initial equity investment of $35 billion in the SPV in connection with the Facility. The SPV will have the ability to purchase up to $500 billion of Eligible Notes.

Eligible Notes: Eligible Notes are tax anticipation notes (TANs), tax and revenue anticipation notes (TRANs), bond anticipation notes (BANs), and other similar short-term notes issued by Eligible Issuers, provided that such notes mature no later than ~~24~~36 months from the date of issuance. In each case, a note's eligibility is subject to review by the Federal Reserve. Relevant legal opinions and disclosures will be required as determined by the Federal Reserve prior to purchase.

Eligible Issuer: An Eligible Issuer is a State, City, or County (or ~~an instrumentality thereof~~, subject to Federal Reserve review and approval, an entity that issues securities on behalf of the State, City, or County for the purpose of managing its cash flows)~~, in each case subject to review and approval by the Federal Reserve~~ or a Multi-State Entity. An Eligible Issuer that is not a Multi-State Entity must have been rated at least BBB-/Baa3 as of April 8, 2020, by two or more major nationally recognized statistical rating organizations ("NRSROs"). An Eligible Issuer that is not a Multi-State Entity and that was rated at least BBB- /Baa3 as of April 8, 2020, but is subsequently downgraded, must be rated at least BB-/Ba3 by two or more major NRSROs at the time the Facility makes a purchase. An Eligible Issuer that is a Multi-State Entity must have been rated at least A-/A3 as of April 8, 2020, by two or more major NRSROs. A Multi-State Entity that was rated at least A-/A3 as of April 8, 2020, but is subsequently downgraded, must be rated at least BBB- /Baa3 by two or more major NRSROs at the time the Facility makes a purchase.

Only one issuer per State, City, ~~or~~ County, or Multi-State Entity is eligible; provided that the Federal Reserve may approve one or more additional issuers per State, City, or County to facilitate the provision of assistance to political subdivisions and other governmental entities of the relevant State, City, or County.

Multi-State Entity: A Multi-State Entity is an entity that was created by a compact between two or more States, which compact has been approved by the United States Congress, acting pursuant to its power under the Compact Clause of the United States Constitution.

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[1] The Board of Governors of the Federal Reserve System ("Board") and Secretary of the Treasury may make adjustments to the terms and conditions described in this term sheet. Any changes will be announced on the Board's website.

[2] Source: U.S. Census Bureau, Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2018, as of April 6, 2020 (https://www.census.gov/data/tables/time-series/demo/popest/2010s-total-cities-and-towns.html).

[3] Source: U.S. Census Bureau, "Population, Population Change, and Estimated Components of Population Change: April 1, 2010 to July 1, 2019 (CO-EST2019-alldata)" dataset as of April 6, 2020 (https://www.census.gov/data/datasets/time-series/demo/popest/2010s-counties-total.html#par_textimage_739801612.)

Security for Eligible Notes: Note security will be subject to review and approval by the Federal Reserve. The source of repayment and security for Eligible Notes will depend on the applicable constitutional and statutory provisions governing the Eligible Issuer and should be generally consistent with the source of repayment and strongest security typically pledged to repay publicly offered obligations of the Eligible Issuer. Eligible Notes issued by Eligible Issuers that are not Multi-State Entities will generally be expected to represent general obligations of the Eligible Issuer, or be backed by tax or other specified governmental revenues of the applicable State, City, or County. If the Eligible Issuer is an authority, agency, or other entity of a State, City, or County, such Eligible Issuer must either commit the credit of, or pledge revenues of, the State, City, or County, or the State, City, or County must guarantee the Eligible Notes issued by such issuer. If the Eligible Issuer is a Multi-State Entity, the Eligible Notes will be expected to be parity obligations of existing debt secured by a senior lien on the Multi-State Entity's gross or net revenues.

Limit per State, City, ~~and~~ County, and Multi-State Entity: The SPV may purchase Eligible Notes issued by or on behalf of a State, City, or County in one or more issuances of up to an aggregate amount of 20% of the general revenue from own sources and utility revenue of the applicable State, City, or County government for fiscal year 2017.[4] The SPV may purchase Eligible Notes issued by a Multi-State Entity in one or more issuances of up to an aggregate amount of 20% of the Multi-State Entity's gross revenue as reported in its audited financial statements for fiscal year 2019. States may request that the SPV purchase Eligible Notes in excess of the applicable limit in order to assist political subdivisions and ~~instrumentalities~~other governmental entities that are not eligible for the Facility.

Pricing: Pricing will be based on an Eligible Issuer's rating at the time of purchase with details to be provided later.

Origination Fee: Each Eligible Issuer that participates in the Facility must pay an origination fee equal to 10 basis points of the principal amount of the Eligible Issuer's notes purchased by the SPV. The origination fee may be paid from the proceeds of the issuance.

~~Call~~Prepayment Right: Eligible Notes purchased by the SPV ~~are callable~~may be prepaid by the Eligible Issuer at any time, in whole or in part, at par prior to maturity with the approval of the Federal Reserve.

Eligible Use of Proceeds: An Eligible Issuer may use the proceeds of Eligible Notes purchased by the SPV to help manage the cash flow impact of income tax deferrals resulting from an extension of an income tax filing deadline; ~~potential~~deferrals or 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~~Eligible Issuer or its political subdivisions or other governmental entities. An Eligible Issuer (other than a Multi-State Entity) 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~~other governmental entities of the relevant State, City, or County for the purposes enumerated in the prior sentence.

Termination Date: The SPV will cease purchasing Eligible Notes on ~~September~~December ~~30~~31, 2020, unless the Board and the Treasury Department extend the Facility. The Reserve Bank will continue to fund the SPV after such date until the SPV's underlying assets mature or are sold.

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[4] Source: U.S. Census Bureau, 2017 State & Local Government Historical Datasets and Tables, as of April 6, 2020 (https://www.census.gov/data/datasets/2017/econ/local/public-use-datasets.html).

FEDERAL RESERVE BANK *of* NEW YORK *Serving the Second District and the Nation*

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FAQs: Municipal Liquidity Facility

The following is intended to address questions about the Municipal Liquidity Facility (MLF or Facility). The Federal Reserve may periodically update these FAQs and, therefore, please check this website for new FAQs or revisions to a previously issued FAQ.

Effective April 27, 2020

PURPOSE AND DESIGN

Why is the Federal Reserve establishing the MLF?
The municipal securities market is an important part of the financial system, which helps provide states, cities, and counties (and their political subdivisions and other governmental entities) with the funding needed to provide essential public services to their citizens. Due to the COVID-19 pandemic, the municipal securities market has recently been under considerable strain. The municipal securities market saw a dramatic increase in sales by institutional investors, which has caused a swift and dramatic increase in interest rates on municipal securities. Although rates have come down from their highs and some issuers have been able to issue debt or secure loans, there are many issuers that have not been able to meet their financing needs through the capital markets. At the same time, states, cities, and counties are facing severe liquidity constraints resulting from the increase in state and local government expenditures related to the COVID-19 pandemic and the delay and decrease of certain tax and other revenues. By ensuring the smooth functioning of the municipal securities market, particularly in times of strain, the Federal Reserve is providing credit that will support families, businesses, and jobs in communities, large and small, across the nation.

The immediate purpose of the MLF is to enhance the liquidity of the primary short-term municipal securities market through the purchase at issuance of Tax Anticipation Notes (TANs), Tax and Revenue Anticipation Notes (TRANs), Bond Anticipation Notes (BANs), and similar short-term notes from Eligible Issuers (defined below) (collectively, Eligible Notes). The Eligible Issuer's proceeds from the sale of Eligible Notes to the SPV can in turn be used to support its political subdivisions and public authorities, among other uses. The Facility will provide a form of cash management financing to Eligible Issuers. In addressing the cash management needs of Eligible Issuers, the Facility will also help restore confidence in the municipal securities market.

The Federal Reserve 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.

How will the MLF work?
The MLF will provide a liquidity backstop to issuers of Eligible Notes through a special purpose vehicle (SPV). The Treasury Secretary, using funds appropriated to the Exchange Stabilization Fund under section 4027 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), will make an initial equity investment of $35 billion in the SPV. The SPV will have the ability to purchase up to $500 billion of Eligible Notes.

When may Eligible Issuers begin selling Eligible Notes, and how long will the MLF operate?
Federal Reserve staff is working expeditiously to operationalize the MLF. The Federal Reserve will keep market

participants apprised and announce in advance when the SPV will commence operations and begin purchasing Eligible Notes. The SPV will cease purchasing Eligible Notes on December 31, 2020, unless the Board and the Treasury Department extend the term of the Facility.

Under what legal authority are purchases of Eligible Notes through MLF made?
The Federal Reserve Board established the MLF pursuant to section 13(3) of the Federal Reserve Act.

What third-party vendors are supporting the MLF?
The Federal Reserve Bank of New York (FRBNY) has selected PFM Financial Advisors LLC (PFM) as its administrative agent for the MLF. In serving as the administrative agent, PFM will coordinate and review the applications under the MLF based on criteria established by the FRBNY.

Where should questions regarding the MLF be directed?
Questions should be directed through http://www.federalreserve.gov/apps/contactus/feedback.aspx?refurl=/muni/ or via email to MLF@ny.frb.org.

How may I receive updates regarding changes to MLF documents?
Sign up for email alerts.

ELIGIBLE ISSUERS

Who is an Eligible Issuer?
An Eligible Issuer 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) or a Multi-State Entity, in each case as defined below. Pursuant to section 13(3) of the Federal Reserve Act, an Eligible Issuer may not be insolvent.

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). Eligible Issuers that were rated at least BBB-/Baa3 as of April 8, 2020, but are subsequently downgraded, must be rated at least BB-/Ba3 by two or more major NRSROs at the time the Facility makes a purchase.

An Eligible Issuer that is a Multi-State Entity must have been rated at least A-/A3 as of April 8, 2020, by two or more major NRSROs. A Multi-State Entity that was rated at least A-/A3 as of April 8, 2020, but is subsequently downgraded, must be rated at least BBB-/Baa3 by two or more major NRSROs at the time the Facility makes a purchase.

For purposes of the Facility, a “State” is one of the fifty U.S. states or the District of Columbia; a “City” is a U.S. city with a population exceeding 250,000 residents; and a “County” is a U.S. county with a population exceeding 500,000 residents based on the most recent available U.S. Census data as of April 6, 2020. A Multi-State Entity is an entity that was created by a compact between two or more States, which compact has been approved by the U.S. Congress, acting pursuant to its power under the Compact Clause of the U.S. Constitution.

A list of Eligible Issuers based on their populations, other than Multi-State Entities, is provided in Appendix A. As of April 6, 2020, the most recent data available on population size for cities was 2018 data, and the most recent data available on population size for counties was 2019 data. Changes in population size, as may be reflected in future U.S. Census Bureau releases, will not affect this list of Eligible Issuers.

What is “an entity that issues securities on behalf of the State, City, or County for the purpose of managing its cash flows,” as described in the “Eligible Issuer” section of the MLF term sheet?
Many States, Cities, and Counties issue debt securities through an authority, agency, department, division or other entity that is statutorily authorized to issue debt on behalf of the applicable State, City, or County. Such an authority, agency, department, division or other entity of a State, City, or County may also issue debt securities for the purposes of assisting in cash flow management on behalf of one or more of the political subdivisions or other governmental entities of the applicable State, City, or County. Such an entity would constitute an Eligible Issuer,

subject to Federal Reserve review, only if (i) such entity can commit the credit of, or pledge revenues of, the applicable State, City, or County, or (ii) the State, City, or County guarantees the Eligible Notes issued by such issuer. Each eligible State, City, and County may only access the Facility through one issuer; provided that the Federal Reserve may approve one or more additional issuers per State, City, or County to facilitate the provision of assistance to political subdivisions and other governmental entities of the relevant State, City, or County.

What is a “political subdivision or other governmental entity” as described in the “Eligible Use of Proceeds” section of the MLF term sheet?
States, Cities, and Counties may use the proceeds of Eligible Notes sold to the SPV under the MLF to purchase the notes of, or otherwise assist, any of their political subdivisions or other governmental entities as described above. For purposes of the “Eligible Use of Proceeds” section, a “political subdivision or other governmental entity” is broadly defined as any county, city, municipality, township, village, school district, special district, utility, authority, agency or other unit of government, as determined by the Eligible Issuer. However, an Eligible Issuer may not lend the proceeds of Eligible Notes to a political subdivision or other governmental entity that is insolvent.

If an Eligible Issuer uses the proceeds of Eligible Notes to purchase the notes of one of its “political subdivisions or other governmental entities” (as used in the “Eligible Use of Proceeds” section), does the Facility assume the risk of those notes?
No. Regardless of the use of proceeds, the Facility (and any other holder of the Eligible Notes) faces only the credit of the Eligible Issuer. The Eligible Issuer would bear the credit risk associated with any notes it purchased from its political subdivision or other governmental entity.

May governmental entities that provide public services on behalf of a State, City, or County and issue bonds backed by their own revenues participate directly in the MLF as Eligible Issuers?
Other governmental entities that provide essential public services on behalf of a State, City, or County may participate in the MLF indirectly by borrowing through an eligible State, City, or County. The Federal Reserve is also considering expanding the Facility to allow a limited number of such entities to participate directly in the MLF as Eligible Issuers, taking into consideration the objective of quickly and efficiently making the Facility available to the currently defined set of Eligible Issuers. The inclusion of any such additional Eligible Issuers would be publicly announced at a future date. The Federal Reserve continues to encourage Eligible Issuers to make funding from the Facility available to their political subdivisions and other governmental entities that are in need of such funding.

ELIGIBLE NOTES

What are Eligible Notes?
Eligible Notes are tax anticipation notes (TANs), tax and revenue anticipation notes (TRANs), bond anticipation notes (BANs), and other similar short-term notes issued by Eligible Issuers, provided that such notes mature no later than 36 months from the date of issuance. In each case, a note’s eligibility is subject to review by the Federal Reserve.

What are TANs, TRANs, and BANs?
States and other municipalities issue TANs and TRANs or other similar short-term notes to address the timing mismatch between the receipt of taxes or other revenues and ongoing expenditures. TANs and TRANs are generally backed by and rated based on the anticipated receipt of tax and other revenues over the course of a fiscal year or longer, in amounts sufficient to pay off the notes by maturity.

BANs are issued in anticipation of future bond issuance and are typically not secured by a pledged revenue stream, but are rated based on the long-term credit rating of the issuer and its assumed future market access for refinancing (either as new BANs or long-term bonds).

What can the proceeds of the Eligible Notes be used for?
An Eligible Issuer may use the proceeds of the Eligible Notes purchased by the SPV for the following purposes: (1) to help manage the cash flow effects of income tax deferrals resulting from an extension of an income tax filing deadline; deferrals or 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 Eligible Issuer or its political subdivisions or other governmental entities; (2) to purchase similar notes issued by, or

otherwise to assist, its political subdivisions and other governmental entities for the purposes enumerated in clause (1); and (3) to fund the costs of issuing the Eligible Notes and paying the SPV issuance fee.

What form of note security will be required?
Note security will be subject to review and approval by the Federal Reserve. The source of repayment and security for Eligible Notes will depend on the applicable constitutional and statutory provisions governing the Eligible Issuer and should be generally consistent with the source of repayment and strongest security typically pledged to repay publicly offered obligations of the Eligible Issuer. Eligible Notes of Eligible Issuers that are not Multi-State Entities will generally be expected to represent general obligations of the Eligible Issuer, or be backed by tax or other specified governmental revenues of the applicable State, City, or County. If the Eligible Issuer is an authority, agency, or other entity of a State, City, or County, such Eligible Issuer must either commit the credit of, or pledge revenues of, the State, City, or County, or have the State, City, or County guarantee the Eligible Notes issued by such issuer. If the Eligible Issuer is a Multi-State Entity, the Eligible Notes will be expected to be parity obligations of existing debt secured by a senior lien on the Multi-State Entity's gross or net revenues.

Will the Eligible Notes or the Eligible Issuer require a rating?
Yes, an Eligible Issuer must meet certain ratings criteria, described above in question B1, to participate in the MLF. In addition, at the time of sale or pricing of the Eligible Notes, the Federal Reserve will require a confirmation of any outstanding long-term ratings of the Eligible Issuer by each major NRSRO that has an outstanding rating of the Eligible Issuer relating to the same type or source of repayment and security as is offered for the Eligible Notes, along with evidence that such NRSROs have been notified of the issuance of the Eligible Notes by the Eligible Issuer. If an Eligible Issuer does not have an outstanding long-term rating, it will be required to apply for and be assigned a rating on the Eligible Notes by at least two major NRSROs prior to the sale or pricing of the Eligible Notes.

From which NRSROs will ratings be accepted?
Currently, the ratings criteria for the MLF refer to ratings provided by three NRSROs: S&P Global Ratings, Moody's Investor Service, Inc., and Fitch Ratings, Inc. The Federal Reserve is considering including other NRSROs under the MLF.

How will the notes be priced?
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.

The Federal Reserve will establish a pricing methodology that will be broadly applicable to all Eligible Issuers. The methodology will be based on the Eligible Issuer's long-term rating at the time of purchase of the Eligible Notes and the maturity of the Eligible Notes, plus a spread over a publicly available benchmark or index.

When will interest on the Eligible Notes be due?
Interest on Eligible Notes may be paid at such times as are consistent with applicable constitutional and statutory requirements, provided that all interest will be due no later than the maturity date of the Eligible Notes.

Will interest on the Eligible Notes be required to be exempt from federal or applicable local income taxes and accompanied by a tax opinion thereto?
No. The Eligible Issuer may issue taxable or tax-exempt Eligible Notes.

Is there a prepayment right on the Eligible Notes?
The Eligible Notes purchased by the SPV may be prepaid by the Eligible Issuer at any time, in whole or in part, at par prior to maturity with the approval of the Federal Reserve.

May Eligible Notes be refinanced through the Facility after December 31, 2020?
No. The Facility will no longer extend credit after its termination date, including by refinancing any maturing Eligible Notes.

May investors sell outstanding TANs, TRANs, and BANs to the SPV?
No. The SPV will only purchase newly issued TANs, TRANs, BANs or other similar newly issued notes of Eligible Issuers. The SPV will not purchase notes in the secondary market.

OTHER TERMS

How much of an Eligible Issuer's Eligible Notes may the MLF SPV purchase?
For a State, City, or County, the SPV may purchase Eligible Notes in one or more issuances of up to an aggregate amount of 20% of the general revenue from own sources and utility revenue of the Eligible Issuer (or its associated State, City, or County if the Eligible Issuer is an authority, agency or other associated entity) for fiscal year 2017. The maximum aggregate amount may be used for the benefit of both the Eligible Issuer and its respective political subdivisions and other governmental entities. The SPV may purchase Eligible Notes issued by or on behalf of a Multi-State Entity in one or more issuances of up to an aggregate amount of 20% of the Multi-State Entity's gross revenue as reported in its audited financial statements for fiscal year 2019. An Eligible Issuer (other than a Multi-State Entity) may request that the SPV purchase Eligible Notes in excess of the limit in order to assist its political subdivisions and other governmental entities that are not eligible for direct issuance to the Facility. If necessary, the Federal Reserve will establish procedures for requesting and allocating additional Eligible Note purchase amounts.

What is an Eligible Issuer's "general revenue from own sources and utility revenue"?
An Eligible Issuer's "general revenue from own sources and utility revenue," which is used to calculate issuance limits for the Facility, is calculated using the most recent available data for all States, Cities, and Counties from the U.S. Census Bureau, the "2017 State & Local Government Finance Historical Datasets and Tables." The Board's calculation of the general revenue from own sources and utility revenue for each eligible State, City, and County is provided in Appendix A, along with the Board's methodology for its calculations. In the case of an Eligible Issuer that is an authority, agency or other entity of a State, City, or County, the applicable "general revenue from own sources and utility revenue" shall be that of the State, City, or County that formed the Eligible Issuer. The list in Appendix A may be revised if changes are made to the MLF. Please check this website for any revisions and sign up for email alerts.

Is there a fee associated with the Facility?
Yes, each Eligible Issuer must pay an origination fee equal to 10 basis points of the principal amount of the Eligible Issuer's Eligible Notes purchased by the SPV. The origination fee may be paid from the proceeds of the issuance.

Will the Federal Reserve disclose information regarding transactions entered into by the MLF?
The Federal Reserve will publicly disclose information on a monthly basis regarding the MLF during the operation of the Facility, including information regarding names of participants, amounts borrowed and interest rates charged, and overall costs, revenues and other fees. Balance sheet items related to the SPV and MLF will be reported weekly, on an aggregated basis, on the H.4.1 statistical release titled "Factors Affecting Reserve Balances of Depository Institutions and Condition Statement of Federal Reserve Banks," published by the Federal Reserve. In addition, the Federal Reserve will disclose to Congress information pursuant to Section 13(3) of the Federal Reserve Act, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act, and the Board's Regulation A.

What legal opinions and certifications will be required?
Eligible Issuers will be required to deliver standard legal opinions for the issuance of debt, including, but not limited to, an opinion of nationally recognized note counsel as to the validity, enforceability, and binding nature of the notes. Each Eligible Issuer must also provide a written certification that it is unable to secure adequate credit accommodations from other banking institutions and that it is not insolvent. Further information on required legal opinions and certificates will be determined and publicly announced prior to commencement of the MLF.

For the purposes of participating in the MLF, what does it mean for an Eligible Issuer to certify that it is unable to secure adequate credit accommodations?
The Federal Reserve must obtain evidence that participants in the MLF are unable to secure adequate credit accommodations from other banking institutions. In certifying whether the issuer is unable to secure adequate credit accommodations from other banking institutions, issuers may consider economic or market conditions in the

market intended to be addressed by the MLF as compared to normal conditions, including the availability and price of credit. Lack of adequate credit does not mean that no credit is available. Lending may be available, but at prices or on conditions that are inconsistent with a normal, well-functioning market.

What form of disclosure from Eligible Issuers will be required?
Requirements for the type and amount of disclosure will be announced at a later date.

When will application materials be available?
Application materials are being assembled. Details regarding application materials and the date on which the Federal Reserve will commence accepting applications will be posted on this FAQ page when available.

Appendix A: Eligible Issuers PDF

ATTACHMENT V

Federal Reserve Municipal Facility Limit per State

Municipal Type	Muni Issuer	OSGUR ($ Billion)	Max Eligible Notes ($ Million)
State	California	196.6	39,326.8
State	New York	109.5	21,907.9
State	Texas	83.5	16,703.6
State	Florida	58.3	11,659.9
State	Pennsylvania	54.7	10,932.2
State	Illinois	48.4	9,676.7
State	New Jersey	46.2	9,249.2
State	Ohio	44.5	8,895.3
State	Michigan	42.7	8,534.2
State	Massachusetts	39.3	7,859.0
State	Virginia	36.5	7,306.9
State	North Carolina	36.5	7,291.3
State	Washington	33.1	6,625.1
State	Minnesota	30.6	6,115.0
State	Georgia	28.7	5,748.3
State	Maryland	28.4	5,670.0
State	Wisconsin	26.0	5,195.3
State	Indiana	24.0	4,806.9
State	Arizona	21.0	4,197.4
State	Connecticut	20.7	4,131.2
State	Oregon	20.3	4,057.7
State	Colorado	19.4	3,886.1
State	South Carolina	18.8	3,758.1
State	Missouri	18.2	3,646.6
State	Tennessee	18.1	3,624.2
State	Iowa	17.7	3,538.9
State	Kentucky	17.0	3,395.7
State	Alabama	16.8	3,364.4
State	Louisiana	14.9	2,985.3
State	Oklahoma	14.4	2,874.7
State	Kansas	13.5	2,705.0
State	Utah	13.4	2,677.4
State	Arkansas	13.2	2,637.1
State	Mississippi	10.8	2,157.8
State	Hawaii	10.7	2,132.8
State	Nevada	10.1	2,016.8
State	New Mexico	9.5	1,897.8
State	West Virginia	7.7	1,547.7
State	Nebraska	6.9	1,374.9
State	Delaware	6.0	1,206.3
State	Idaho	5.9	1,178.9
State	Maine	5.6	1,113.7
State	Rhode Island	5.2	1,043.9
State	Alaska	5.1	1,015.3
State	North Dakota	4.7	946.3
State	New Hampshire	4.4	872.2
State	Vermont	4.1	819.9
State	Montana	3.6	717.7
State	Wyoming	3.0	592.2
State	South Dakota	2.7	547.9
State	Washington DC	9.2	1,836.4

Source: U.S. Census Bureau, 2017 State & Local Government Historical Datasets and Tables, as of April 6, 2020

Calculations: Own Source General and Utility Revenue (OSGUR) for each state is calculated by adding the State's "General Revenue from Own Sources" (Line 7) and its "Utility Revenue" (Line 43) from the source above.

Federal Reserve Municipal Facility Limit per City

Municipal Type	Muni Issuer	Population	OSGUR ($ Billion)	Max Eligible Notes ($ Million)
City	New York City, New York	8,398,748	74.9	14,989.0
City	Los Angeles City, California	3,990,456	14.2	2,849.0
City	Chicago City, Illinois	2,705,994	7.3	1,462.1
City	Houston City, Texas	2,325,502	4.8	958.1
City	Phoenix City, Arizona	1,660,272	2.8	562.6
City	Philadelphia City, Pennsylvania	1,584,138	5.8	1,156.9
City	San Antonio City, Texas	1,532,233	4.7	943.4
City	San Diego City, California	1,425,976	3.3	667.2
City	Dallas City, Texas	1,345,047	3.4	670.9
City	San Jose City, California	1,030,119	2.2	443.1
City	Austin City, Texas	964,254	3.5	705.6
City	Jacksonville City, Florida	903,889	3.2	649.6
City	Fort Worth City, Texas	895,008	1.4	287.5
City	Columbus City, Ohio	892,533	1.7	346.2
City	San Francisco City, California	883,305	7.7	1,545.6
City	Charlotte City, North Carolina	872,498	1.8	357.4
City	Indianapolis City, Indiana	867,125	2.6	523.5
City	Seattle City, Washington	744,955	3.7	734.1
City	Denver City, Colorado	716,492	3.4	679.2
City	Boston City, Massachusetts	694,583	3.0	601.2
City	El Paso City, Texas	682,669	0.9	186.3
City	Detroit City, Michigan	672,662	1.4	283.0
City	Nashville-Davidson County Metropolitan Government, Tennessee	669,053	3.4	675.9
City	Portland City, Oregon	653,115	1.7	341.5
City	Memphis City, Tennessee	650,618	2.5	497.3
City	Oklahoma City City, Oklahoma	649,021	1.2	246.5
City	Las Vegas City, Nevada	644,644	0.5	90.4
City	Louisville-Jefferson County Metro Government, Kentucky	620,118	1.1	225.1
City	Baltimore City, Maryland	602,495	2.2	431.4
City	Milwaukee City, Wisconsin	592,025	0.6	128.4
City	Albuquerque City, New Mexico	560,218	0.9	172.6
City	Tucson city, Arizona	545,975	0.7	138.9
City	Fresno City, California	530,093	0.7	145.7
City	Mesa City, Arizona	508,958	0.7	130.5
City	Sacramento City, California	508,529	1.1	214.5
City	Atlanta City, Georgia	498,044	1.8	366.4
City	Kansas City City, Missouri	491,918	1.7	336.4
City	Miami City, Florida	470,914	0.8	151.2
City	Colorado Springs City, Colorado	472,688	1.3	251.2
City	Raleigh City, North Carolina	469,298	0.7	145.3
City	Omaha City, Nebraska	468,262	0.6	129.5
City	Long Beach City, California	467,354	1.5	292.7
City	Virginia Beach City, Virginia	450,189	1.3	256.3
City	Oakland City, California	429,082	1.5	300.3
City	Minneapolis City, Minnesota	425,403	1.1	214.5
City	Tulsa City, Oklahoma	400,669	0.9	175.3
City	Arlington City, Texas	398,112	0.6	110.2
City	Tampa City, Florida	392,890	0.7	142.2
City	New Orleans City, Louisiana	391,006	1.2	242.5
City	Wichita City, Kansas	389,255	0.5	108.5
City	Cleveland City, Ohio	383,793	1.3	256.5
City	Bakersfield City, California	383,579	0.4	71.3
City	Aurora City, Colorado	374,114	0.6	114.9
City	Anaheim City, California	352,005	1.1	229.5
City	Honolulu City, Hawaii	347,397	2.8	550.5
City	Santa Ana City, California	332,725	0.4	72.0
City	Riverside City, California	330,063	0.8	166.8
City	Corpus Christi City, Texas	326,554	0.6	116.4
City	Lexington-Fayette Urban County Government, Kentucky	323,780	0.6	121.4
City	Stockton City, California	311,178	0.4	81.2
City	Henderson City, Nevada	310,390	0.3	65.0
City	St. Paul City, Minnesota	307,695	0.5	104.2
City	St. Louis City, Missouri	302,838	0.9	172.6
City	Cincinnati City, Ohio	302,605	0.9	179.8
City	Pittsburgh City, Pennsylvania	301,048	0.5	102.6
City	Greensboro City, North Carolina	294,722	0.4	78.7
City	Anchorage Municipality, Alaska	291,538	1.0	208.9
City	Plano City, Texas	288,061	0.5	103.1
City	Lincoln City, Nebraska	287,401	0.3	67.6

Federal Reserve Municipal Facility Limit per City (Continued)

Municipal Type	Muni Issuer	Population	OSGUR ($ Billion)	Max Eligible Notes ($ Million)
City	Orlando City, Florida	285,713	0.6	123.9
City	Irvine City, California	282,572	0.3	59.2
City	Newark City, New Jersey	282,090	0.5	107.8
City	Toledo City, Ohio	274,975	0.5	91.6
City	Durham City, North Carolina	274,291	0.4	74.4
City	Chula Vista City, California	271,651	0.5	94.2
City	Fort Wayne City, Indiana	267,633	0.2	47.8
City	Jersey City City, New Jersey	265,549	0.7	137.0
City	St. Petersburg City, Florida	265,098	0.4	80.3
City	Laredo City, Texas	261,639	0.4	85.1
City	Madison City, Wisconsin	258,054	0.4	84.2
City	Chandler City, Arizona	257,165	0.3	65.8
City	Buffalo City, New York	256,304	0.3	52.7
City	Lubbock City, Texas	255,885	0.6	120.4
City	Scottsdale City, Arizona	255,310	0.5	98.2
City	Reno City, Nevada	250,998	0.3	60.4
City	Glendale City, Arizona	250,702	0.3	68.5

Source: U.S. Census Bureau, 2017 State & Local Government Historical Datasets and Tables, as of April 6, 2020

Source: U.S. Census Bureau, Annual Estimates of the Resident Population: April 1 2010 to July 1, 2018, as of April 6, 2020

Calculations: Own Source General and Utility Revenue (OSGUR) for each City and County is calculated using the "2017FinEstDAT_02202020modp_pu.txt" and "Fin_GID_2017.txt" data files, both included in the 2017 State & Local Government Finance Historical Datasets and Tables Public Use Files, as of April 6, 2020, and the 2017 U.S. Census Bureau key of item codes, government codes, and state codes, also available in the Public Use Files. Using these files together, each City's and County's OSGUR is calculated by adding all of the following code amounts listed below (in thousands of dollars).

Own-Source General Revenue Items: A01, A03, A09, A10, A12, A16, A18, A21, A36, A44, A45, A50, A56, A59, A60, A61, A80, A81, A87, A89, T01, T09, T10, T11, T12, T13, T14, T15, T16, T19, T20, T21, T22, T23, T24, T25, T27, T28, T29, T40, T41, T50, T51, T53, T99, U01, U11, U20, U21, U30, U40, U41, U50, U95, U99.

Utility Revenue Items: A91, A92, A93, A94.

Federal Reserve Municipal Facility Limit per County

Municipal Type	Muni Issuer	Population	OSGUR ($ Billion)	Max Eligible Notes ($ Million)
County	Los Angeles County, California	10,039,107	13.4	2,687.1
County	Cook County, Illinois	5,150,233	2.7	543.3
County	Harris County, Texas	4,713,325	4.5	897.2
County	Maricopa County, Arizona	4,485,414	1.0	204.8
County	San Diego County, California	3,338,330	1.8	365.4
County	Orange County, California	3,175,692	1.9	383.9
County	Miami-Dade County, Florida	2,716,940	7.2	1,448.4
County	Dallas County, Texas	2,635,516	2.6	520.1
County	Riverside County, California	2,470,546	2.2	437.2
County	King County, Washington	2,252,782	3.1	621.7
County	Clark County, Nevada	2,266,715	4.6	920.6
County	San Bernardino County, California	2,180,085	1.7	337.7
County	Tarrant County, Texas	2,102,515	1.4	286.7
County	Bexar County, Texas	2,003,554	1.8	363.0
County	Broward County, Florida	1,952,778	2.2	432.5
County	Santa Clara County, California	1,927,852	3.7	738.1
County	Wayne County, Michigan	1,749,343	0.8	156.0
County	Alameda County, California	1,671,329	2.3	456.6
County	Sacramento County, California	1,552,058	1.5	294.7
County	Palm Beach County, Florida	1,496,770	2.2	431.7
County	Suffolk County, New York	1,476,601	2.7	541.4
County	Hillsborough County, Florida	1,471,968	1.7	336.9
County	Orange County, Florida	1,393,452	1.8	366.8
County	Nassau County, New York	1,356,924	3.1	618.1
County	Franklin County, Ohio	1,316,756	1.0	195.4
County	Hennepin County, Minnesota	1,265,843	2.0	403.2
County	Oakland County, Michigan	1,257,584	0.5	105.7
County	Travis County, Texas	1,273,954	1.0	198.5
County	Cuyahoga County, Ohio	1,235,072	1.9	370.9
County	Allegheny County, Pennsylvania	1,216,045	0.6	118.4
County	Contra Costa County, California	1,153,526	2.5	496.4
County	Salt Lake County, Utah	1,160,437	0.8	153.3
County	Fairfax County, Virginia	1,147,532	4.7	948.3
County	Mecklenburg County, North Carolina	1,110,356	1.6	325.4
County	Wake County, North Carolina	1,111,761	1.3	258.6
County	Fulton County, Georgia	1,063,937	0.8	155.1
County	Montgomery County, Maryland	1,050,688	5.9	1,174.5
County	Pima County, Arizona	1,047,279	0.9	183.9
County	Collin County, Texas	1,034,730	0.3	54.4
County	St. Louis County, Missouri	994,205	0.7	133.7
County	Fresno County, California	999,101	0.5	97.6
County	Pinellas County, Florida	974,996	1.1	224.1
County	Westchester County, New York	967,506	3.2	638.8
County	Milwaukee County, Wisconsin	945,726	1.0	194.1
County	Fairfield County, Connecticut	943,332	0.0	0.0
County	Shelby County, Tennessee	937,166	1.7	336.8
County	Bergen County, New Jersey	932,202	0.9	179.6
County	Gwinnett County, Georgia	936,250	1.1	220.2
County	DuPage County, Illinois	922,921	0.3	65.5
County	Erie County, New York	918,702	2.0	395.7
County	Prince George's County, Maryland	909,327	2.4	478.3
County	Kern County, California	900,202	0.7	141.7
County	Pierce County, Washington	904,980	0.5	107.3
County	Macomb County, Michigan	873,972	0.5	93.3
County	Hidalgo County, Texas	868,707	0.3	54.4
County	Denton County, Texas	887,207	0.2	45.6
County	Ventura County, California	846,006	1.4	283.8
County	El Paso County, Texas	839,238	0.7	148.9
County	Baltimore County, Maryland	827,370	2.3	460.7
County	Montgomery County, Pennsylvania	830,915	0.3	66.0
County	Middlesex County, New Jersey	825,062	0.6	127.5
County	Hamilton County, Ohio	817,473	0.9	185.9
County	Snohomish County, Washington	822,083	0.5	90.5
County	Multnomah County, Oregon	812,855	0.6	120.2
County	Essex County, New Jersey	798,975	0.6	111.1
County	Oklahoma County, Oklahoma	797,434	0.1	20.6
County	Fort Bend County, Texas	811,688	0.4	79.6
County	San Mateo County, California	766,573	1.0	191.0
County	Jefferson County, Kentucky	766,757	0.6	120.4

Federal Reserve Municipal Facility Limit per County (Continued)

Municipal Type	Muni Issuer	Population	OSGUR ($ Billion)	Max Eligible Notes ($ Million)
County	Cobb County, Georgia	760,141	0.9	174.4
County	DeKalb County, Georgia	759,297	1.0	191.0
County	Lee County, Florida	770,577	1.0	192.7
County	San Joaquin County, California	762,148	0.8	165.5
County	Monroe County, New York	741,770	1.4	270.6
County	El Paso County, Colorado	720,403	0.2	41.0
County	Polk County, Florida	724,777	0.6	118.0
County	Norfolk County, Massachusetts	706,775	0.0	4.3
County	Jackson County, Missouri	703,011	0.2	45.3
County	Lake County, Illinois	696,535	0.4	73.8
County	Will County, Illinois	690,743	0.3	53.1
County	Davidson County, Tennessee	694,144	0.0	0.0
County	Bernalillo County, New Mexico	679,121	0.3	66.8
County	Hudson County, New Jersey	672,391	0.4	86.4
County	Jefferson County, Alabama	658,573	0.6	120.4
County	Kent County, Michigan	656,955	0.3	58.0
County	Arapahoe County, Colorado	656,590	0.2	48.2
County	Tulsa County, Oklahoma	651,552	0.3	56.5
County	Bucks County, Pennsylvania	628,270	0.3	53.5
County	Utah County, Utah	636,235	0.2	47.3
County	Monmouth County, New Jersey	618,795	0.4	89.8
County	Ocean County, New Jersey	607,186	0.4	86.0
County	Johnson County, Kansas	602,401	0.7	133.1
County	Washington County, Oregon	601,592	0.5	98.2
County	Brevard County, Florida	601,942	0.5	93.0
County	Montgomery County, Texas	607,391	0.3	58.9
County	Jefferson County, Colorado	582,881	0.3	69.6
County	Anne Arundel County, Maryland	579,234	1.8	354.6
County	Williamson County, Texas	590,551	0.3	55.1
County	Douglas County, Nebraska	571,327	0.3	56.3
County	Delaware County, Pennsylvania	566,747	0.3	55.9
County	New Castle County, Delaware	558,753	0.3	53.6
County	Union County, New Jersey	556,341	0.4	87.6
County	Ramsey County, Minnesota	550,321	0.4	85.8
County	Stanislaus County, California	550,660	0.4	75.8
County	Volusia County, Florida	553,284	0.4	87.7
County	Lancaster County, Pennsylvania	545,724	0.2	31.8
County	Dane County, Wisconsin	546,695	0.3	58.9
County	Summit County, Ohio	541,013	0.2	47.5
County	Pasco County, Florida	553,947	0.6	110.5
County	Kane County, Illinois	532,403	0.2	36.6
County	Guilford County, North Carolina	537,174	0.5	108.9
County	Montgomery County, Ohio	531,687	0.5	100.5
County	Chester County, Pennsylvania	524,989	0.2	46.8
County	Greenville County, South Carolina	523,542	0.2	46.8
County	Spokane County, Washington	522,798	0.3	52.7
County	Sedgwick County, Kansas	516,042	0.3	66.5
County	Adams County, Colorado	517,421	0.3	50.2
County	Camden County, New Jersey	506,471	0.4	81.8
County	Passaic County, New Jersey	501,826	0.4	77.7

Note: Although Kings County, NY and Queens County, NY both satisfy the county population threshold, they have no own source general and utility revenue, and therefore have a MLF issuance limit of zero.

Source: U.S. Census Bureau, 2017 State & Local Government Historical Datasets and Tables, as of April 6, 2020

Source: U.S. Census Bureau, Annual Estimates of the Resident Population: April 1 2010 to July 1, 2019, as of April 6, 2020

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Utility Revenue Items: A91, A92, A93, A94.