



Federal Reserve Announces Municipal Liquidity Facility Now Operational

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The Federal Reserve recently announced that its Municipal Liquidity Facility (MLF) is taking applications from eligible issuers and will soon purchase notes at the [following interest rates](#). We have previously [discussed the MLF](#) and [supplemented that alert](#). As a brief refresher, the MLF permits cities with more than 250,000 residents, counties with more than 500,000 residents, and states that are unable to secure adequate credit accommodations to sell notes maturing within 36 months to the MLF LLC (a special purpose vehicle) for purposes of (1) addressing cash flow needs caused by COVID-19, (2) paying principal and interest on other obligations or (3) lending money to its political subdivisions (including villages, townships, school districts and special districts) and other governmental entities (including governmental entities that provide essential public services on behalf of a city, county or state). What follows is a brief discussion on how eligible issuers can sell their notes to the MLF LLC, some additional requirements for notes and disclosure requirements for eligible issuers that want to participate in the program.

Program Participation

- Unlike the Paycheck Protection Program (PPP), the MLF is not a “first come, first served program.” There is no preference given to early filers.
- Once an eligible issuer has determined its financial needs and schedule, it should [submit a Notice of Interest](#) (NOI) to MLFnoi@blxgroup.com.
- Eligible Issuers are permitted to submit multiple NOIs, one for each issuance of notes, but should not treat the MLF as a line of credit by conducting frequent, small issuances.
- After approval of its NOI, and before the mailing of a preliminary official statement in a competitive transaction and

prior to pricing in any transaction, an eligible issuer should submit a [MLF application](#) to MLFapp@blxgroup.com.

Note Requirements

- Notes should either be general obligations of the eligible issuer or backed by tax or other specified governmental revenues of the eligible issuer.
- The interest rate on notes is fixed and is based on the sum of the Overnight Index Swap and a fixed spread dependent upon the eligible issuer's ratings. The interest rate on taxable notes is 35% higher.
- Notes may be sold via competitive sale with MLF LLC purchasing notes not purchased by other bidders or may be sold directly to MLF LLC. Notes will be sold to MLF LLC via the form [Note Purchase Agreement](#).
- An eligible issuer must have been rated at least BBB-/Baa3 as of April 8, 2020 from at least two of Moody's, S&P, Fitch or Kroll, subject to certain exceptions.
- Notes must have Committee on Uniform Securities Identification Procedures (CUSIPs) identification and close via the Depository Trust Company (DTC).
- Notes must have an opinion of bond counsel as to the validity, enforceability and binding nature of the notes.
- The issuer is also required to make [the following certifications](#).

Disclosure Requirements

- An offering document must be prepared if notes offered via competitive sale. If notes are sold directly to MLF LLC, then the eligible issuer must provide the information posted on EMMA and its website regarding its cashflow statements (prior year actuals and 12-month projections) and explain set-asides or plan for repayment if selling TRANS or TANS or authorization for issuing bonds and why it expects to be able to issue such bonds if selling BANS.

- An eligible issuer must also provide financing information and operating data submitted to rating agencies in connection with confirmation of its ratings.
- An eligible issuer must enter into Continuing Disclosure Undertaking with MLF LLC [based on this form](#).
- Continuing Disclosure Undertaking is similar to other agreements that satisfy Rule 15c2-12, but also requires an eligible issuer to provide (1) quarterly cashflows setting forth actual results compared to projects provided in prior report and the projected results for the succeeding 12 months, (2) quarterly reports on the implementation status and funding of planned set-asides with an explanation of any negative variances, (3) quarterly financial reports or financial information in a format regularly provided to its governing body or the public, (4) any change in the long-term rating applicable to the security for the notes, (5) not less than six months and three months prior to the maturity of the notes, respectively, a written report explaining the eligible issuer's plan to repay the notes at maturity, and in the case of BANs, any material credit or other matters related to the issuance of bonds expected to take out the notes and (6) any other information related to the ability of the eligible issuer to repay the notes when payments become due requested by MLF LLC.

Issuers requiring assistance to issue notes under the MLF may contact any of Frost Brown Todd's [Financial Services](#) attorneys who serve as bond counsel and routinely prepare the kinds of agreements and issue the form of opinion required to participate in the program. For more information, please contact [Denise Barkdull](#), David Rogers, [Steve Sparks](#) or [Laura Theilmann](#).

To provide guidance and support to clients as this global public-health crisis unfolds, Frost Brown Todd has created a Coronavirus Response Team. Our attorneys are on hand to answer your questions and provide guidance on how to proactively prepare for and manage any coronavirus-related threats to your business operations and workforce.

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