



March 20, 2020

Majority Leader Mitch McConnell  
317 Russell Senate Office Building  
United States Senate  
Washington, DC 20510

Minority Leader Charles Schumer  
322 Hart Senate Office Building  
United States Senate  
Washington, DC 20510

Dear Leader McConnell and Leader Schumer:

The American Securities Association<sup>1</sup> writes in strong support of the “Municipal Bonds Emergency Relief Act” (Act) sponsored by Senator Robert Menendez and appreciates his work to address a critical issue currently facing the capital markets and municipalities across the country.

The collective shock to markets of the COVID-19 outbreak, rapid decline in oil prices, and diminishing investor confidence have created pressures and dislocations across virtually every asset class. Municipal bonds in particular have been affected, with benchmark 30-year yields increasing by a record amount, leading investors to pull over \$12 billion out of municipal bond mutual funds over the last week.<sup>2</sup> This is happening despite the fact that municipal bonds are a historically strong-performing asset class relative to other types of debt. Increasing yields and investor outflows place further financial strain on the budgets of state and local governments throughout the country and make it more difficult for municipalities to finance infrastructure, schools, hospitals, and other critical local projects.

This Act would grant the Federal Reserve, in “unusual and exigent circumstances”, the ability to buy any bills, notes, revenue bonds, or warrants of any municipality within the states or U.S. territories. The current state of the financial markets undoubtedly meets this threshold. Congress should affirm the Federal Reserve’s historical duty as the “lender of last resort” in our economy, and give the Federal Reserve explicit authority to invoke it’s the powers necessary to mitigate the dislocations currently present in the municipal bond market.

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<sup>1</sup> The ASA is a trade association that represents the retail and institutional capital markets interests of regional financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. The ASA’s mission is to promote trust and confidence among investors, facilitate capital formation, and support efficient and competitively balanced capital markets. This mission advances financial independence, stimulates job creation, and increases prosperity. The ASA has a geographically diverse membership base that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States.

<sup>2</sup> <https://www.bloomberg.com/news/articles/2020-03-19/muni-bond-investors-yank-a-record-12-billion-from-mutual-funds>



We thank Senator Menendez for his leadership during this most unusual of times, and we urge the Senate to include the Municipal Bonds Emergency Relief Act in the legislation it will pass in the coming days.

Sincerely,

*Christopher A. Iacovella*

Christopher A. Iacovella  
Chief Executive Officer  
American Securities Association