October 30, 2020

The Honorable Steven Mnuchin
Secretary
U.S. Department of Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

The Honorable Jerome Powell
Chairman, Board of Governors
Federal Reserve System
20th Street & Constitution Avenue NW
Washington, DC 20551

Dear Secretary Mnuchin and Chairman Powell:

The American Securities Association (ASA)[1] appreciates the actions taken by the Treasury and the Federal Reserve to stabilize financial markets, provide credit to the economy, and help the American people in the wake of turmoil caused by the COVID-19 pandemic. We write today in support of the Municipal Liquidity Facility (MLF) and urge the Treasury and the Federal Reserve to maintain this important program with some conditions.

The ASA represents regional financial services firms that serve critical functions in the corporate debt, commercial paper, equity – *and perhaps most importantly* – the municipal markets. The municipalities that our members serve may not be the largest in terms of population, but they are among the hardest hit by the COVID-19 pandemic. Without continued access to credit, the liquidity problems these cities and towns currently face may become insurmountable. The ASA is supportive of extending the MLF program beyond the current December 31, 2020 expiration date provided its eligibility expands to include small and medium-sized towns and cities across America. Extending the MLF will provide confidence to Main Street municipalities and ensure essential services like local hospitals and schools have access to capital to meet the needs of families across our country.

I. Extend the MLF Beyond 2020.

When the Federal Reserve announced the creation of the MLF in March 2020, like most Americans, we had hoped the pandemic would be over by late 2020. Unfortunately, that is not the case, and the nation could face another year of economic uncertainty and social distancing measures that will impact the incoming revenue streams of nearly every city and town in America. We worry about municipalities that traditionally rely on large amounts of their tax base coming from tourism, conferences, and travel-related expenditures such as airport and restaurant income. Some of these municipalities may have been able to get through 2020, but another full

[1] 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.

year of downward pressure on these revenue streams could prove to be extremely challenging. Additionally, access to the MLF in 2021 would provide a necessary backstop should there be a market disruption or an inability for certain issuers to access more traditional capital markets.

II. Expand the MLF's Eligibility for Issuers.

Many issuers that ASA members work with are small and medium-sized towns and cities that do not reach the threshold for participation in the MLF. The ASA strongly believes the MLF will be more useful if its eligibility was broadened beyond the current standards of a county population of 500,000+ or a city population of 250,000+. This is especially important as the COVID-19 pandemic begins to impact more rural communities. Small and medium-sized municipalities have fewer opportunities to access funding in the private markets, and it's time for Washington to help these hardworking American communities overcome this unthinkable hardship.

III. Allow for Lower Rates and Longer Repayment Terms.

The ASA believes the current MLF rates are significantly higher than necessary, and that the MLF's current 36-month repayment term is too short. As we previously noted, it appears that the COVID-19 pandemic will be with us much longer than previously anticipated, and a complete economic recovery may take several years for many municipalities. Therefore, greater flexibility in the rates the MLF is charging, as well a lengthening of the repayment terms, would be welcome developments, especially for smaller municipalities. While we understand and support that the federal government should not provide rates that consistently beat market rates, as one person suggested, "*They are charging a felony rate instead of a misdemeanor.*"

Thank you for the opportunity to comment on this important program. We appreciate all your hard work for our nation during this critical time and we urge you to use your authority to continue to support municipalities across America.

Sincerely,

Kelli McMorrow

Kelli McMorrow
Head of Government Relations
Director of Fixed Income Policy
American Securities Association