



FOMC's Drastic Measures For Unprecedented Times

by Steve Brown Topics: [regulatory agencies](#), [business customers](#)

Summary: The FOMC made drastic decisions in response to COVID-19 to support the economy. We capture the key points.

On Monday, the FOMC made some drastic decisions to put **additional measures in place** to help the current economic situation by providing additional credit resources for households and businesses. "Aggressive efforts must be taken across the public and private sectors to limit the losses to jobs incomes and to promote a swift recovery once the disruptions abate." The agency is expending its "full range of authorities" to provide the robust support needed. Here are the highlights that the FOMC will do:

- Support for critical market functioning. The Federal Open Market Committee will purchase Treasury securities and agency mortgage-backed securities in the amounts needed to **support smooth market functioning** and effective transmission of monetary policy to broader financial conditions and the economy. The FOMC will include purchases of agency commercial mortgage-backed securities in its agency mortgage-backed security purchases.
- Supporting the **flow of credit to employers, consumers, and businesses** by establishing new programs that, taken together, will provide up to \$300B in new financing. The Department of the Treasury, using the Exchange Stabilization Fund, will provide \$30B in equity to these facilities.
- Establishment of two facilities to **support credit to large employers** - the Primary Market Corporate Credit Facility for new bond and loan issuance and the Secondary Market Corporate Credit Facility to provide liquidity for outstanding corporate bonds.
- **Establishment of a third facility, the Term Asset-Backed Securities Loan Facility (TALF)**, to support the flow of credit to consumers and businesses. The TALF will enable the issuance of asset-backed securities backed by student loans, auto loans, credit card loans, loans guaranteed by the Small Business Administration, and certain other assets.
- **Facilitating the flow of credit to municipalities** by expanding the Money Market Mutual Fund Liquidity Facility to include a wider range of securities.
- Facilitating the flow of credit to municipalities by **expanding the Commercial Paper Funding Facility** to include high-quality, tax-exempt commercial paper as eligible securities.
- Also, the Federal Reserve expects to announce soon the establishment of a Main Street Business Lending Program to **support lending to eligible small-and-medium-sized businesses**, complementing the SBA.

These measures are extremely important to help provide credit and liquidity to the markets right now. While consumer spending ebbs due to the coronavirus, if businesses can continue to operate, stemming unemployment and further economic devastation, the effects of coronavirus could be mitigated. While we won't know how all of this plays out for a while, our hope is that this vital support will give our financial institutions the liquidity and the assurance they need in lending to their customers.

ECONOMY & RATES

Rates As Of: 03/25/2020 04:54PM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	-0.08	-1.35	-1.62
6M	0.02	-1.13	-1.56
1Y	0.17	-0.84	-1.40
2Y	0.33	-0.58	-1.24
5Y	0.53	-0.41	-1.17
10Y	0.87	-0.28	-1.05
30Y	1.44	-0.23	-0.94
FF Market	FF Target	Fed Disc	
0.12	0.25	0.25	
SOFR	Prime	Unemp	
0.01	3.25	3.50	

[More Market Rates](#)

BANK NEWS

Board of Governors' Resource Site

The Board of Governors has created a [new site to catalog all of the Federal Reserve's COVID-19 related information](#), including a range of new facilities to help support the flow of credit to American families and businesses.

Reducing Branch Services

With increasing concerns about the spread of the coronavirus, many banks across the country are closing or limiting access to their branches. Banks are asking their customers to use drive-through or online banking, in order to comply with social distancing. Capital One has closed 120 locations, while JPMorgan Chase closed 1k branches.

Discount Window:

Federal regulatory agencies provided a statement encouraging banks to employ the Fed's "discount window" to ensure they can continue supporting households and businesses as needed. "The discount window helps depository institutions manage their liquidity risks efficiently and avoid actions that have negative consequences for their customers."

SUPPORT DURING COVID-19

Much of our activity over the past few days has focused on helping financial institutions in areas such as loan restructuring. If you need assistance, [contact us today](#).

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