

## **Fed Takes Unprecedented Action to Shore Up U.S. Credit Markets**

The Federal Reserve announced new measures on Monday to “backstop” all credit markets in the U.S. economy. The Fed has pledged to purchase Treasuries and mortgage backed securities “in the amounts needed to support smooth market functioning.” In other words, without limitation. This goes beyond the action the Fed took during the 2008 financial crisis.

Here are some specifics:

- They are reinstating the Term Asset-Backed Securities Lending Facility, or TALF. The FED used TALF during the 2008 financial crisis to support consumer and business credit markets. The Fed will lend money to investors to buy securities backed by credit card loans and other consumer debt.
- In an unprecedented move, the FED will establish the Primary Market Corporate Credit Facility (PMCCF) to support lending for large companies. This facility will offer bridge financing for up to four years and is “open to investment grade companies.” This program places certain limits on the payment of dividends and stock buybacks under specific circumstances.
- In a second unprecedented move, the Fed will purchase corporate bonds already issued by highly rated companies and certain exchange-traded funds. This is designed to unclog the market for existing corporate debt.

According to the announcement, the Fed will soon unveil a “Main Street Business Lending Program” that will support lending to eligible small and midsize businesses. Although no details about this program were provided, more information will be forthcoming shortly.

This action comes as Congress debates a plan to provide funds for these and possibly other programs to help shore up the U.S. economy. [Here's a link](#) to the Fed's March 23<sup>rd</sup> announcement. We will continue to keep you updated as information becomes available. Have questions? We're here to help. Contact us at (408) 287-7911 for information and assistance or to schedule a Skype/Phone/Zoom appointment.