GAO Highlights

Highlights of GAO-21-180, a report to congressional committees

December 2020

FEDERAL RESERVE LENDING PROGRAMS

Use of CARES Act-Supported Programs Has Been Limited and Flow of Credit Has Generally Improved

Why GAO Did This Study

The COVID-19 pandemic has resulted in substantial damage to the economy. The CARES Act, enacted as part of the federal response, includes amounts appropriated to Treasury and made available to provide loans, loan guarantees, and investments to states, tribes, municipalities, and eligible businesses. Section 4003(b)(4) of the act made available up to $454 billion and potentially certain other amounts for Treasury to support Federal Reserve lending facilities in providing liquidity to the financial system that provides credit to these entities.

The CARES Act also included a provision for GAO to periodically report on these loans, loan guarantees, and investments. This report examines the level of participation in the facilities and what available evidence suggests regarding the effects of the facilities on corporate credit and related markets, states and municipalities, and small businesses; and the status of CARES Act funding available to support the Federal Reserve's facilities, among other things.

GAO reviewed applicable laws and agency documentation, and analyzed agency and other relevant data on the facilities and credit markets. GAO also interviewed Federal Reserve and Treasury officials and representatives from industry associations representing businesses, banks, and state and local governments.

View GAO-21-180. For more information, contact Michael E. Clements at (202) 512-8678 or clementsm@gao.gov.

What GAO Found

The Board of Governors of the Federal Reserve System (Federal Reserve) authorized 13 lending programs—known as facilities—to ensure the flow of credit to various parts of the economy affected by the COVID-19 pandemic. Nine of the 13 facilities are supported through Department of the Treasury (Treasury) funding appropriated under the CARES Act. Overall, use of these CARES Act-supported facilities has been relatively limited. As of November 15, 2020, the CARES Act facilities had used about $24 billion, or a little more than 1 percent, of the $1.95 trillion the Federal Reserve can back in transaction volume for these facilities. According to representatives from small business associations, banks, and state and local governments, the terms and conditions for some facilities are a deterrent for some potential participants. Further, some small businesses may prefer not to take on more debt. The Federal Reserve has continued to adjust some of the terms of its facilities, which are designed to function as backstops.

CARES Act-Supported Facilities' Transaction Volume and Capacity, as of November 15, 2020

Federal Reserve facility	Transaction volume ($ in billions)	Transaction volume capacity ($ in billions)	Percentage of transaction volume relative to capacity (%)
Primary and Secondary Market Corporate Credit Facilities	13.6	750	1.8
Main Street Lending Program (five facilities)[a]	5.0	600	<1
Municipal Liquidity Facility	1.7	500	<1
Term Asset-Backed Securities Loan Facility	3.9	100	3.9
Total	**24.1[b]**	**1,950**	**1.2**

Source: GAO analysis of Board of Governors of the Federal Reserve System (Federal Reserve) documents and data. | GAO-21-180

[a]The Main Street Lending Program comprises five facilities: Main Street New Loan Facility, Main Street Priority Loan Facility, Main Street Expanded Loan Facility, Nonprofit Organization New Loan Facility, and Nonprofit Organization Expanded Loan Facility.

[b]Transaction volumes do not sum to the total due to rounding.

Corporate and municipal credit markets, which are targeted by certain facilities, have improved since the onset of the pandemic. For example, from March through September 2020, companies nearly doubled the amount of corporate bonds issued compared to the same period in 2019. However, state and local governments and small businesses continue to face financial challenges.

As of November 15, 2020, Treasury had committed $195 billion (of which it had disbursed $102.5 billion) of the $454 billion in CARES Act funds available to support the facilities. On November 19, 2020, the Treasury Secretary stated that his understanding of the congressional intent related to the facilities' authority to purchase new assets or make new loans was for all CARES Act facilities to stop purchasing eligible assets or extending credit on December 31, 2020. As such, the Secretary requested that the Federal Reserve return unused funds from facilities that received CARES Act funding. On November 20, 2020, the Federal Reserve stated it would work with Treasury to return unused CARES Act funds. GAO will continue to monitor facilities' use through the end of 2020, and the repayment of facilities' outstanding loans and investments.