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1-28-2021

### The Ninth Report of the Congressional Oversight Commission

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**The Ninth Report of the Congressional Oversight Commission**

**January 28, 2021**

**Commission Members**  
**U.S. Representative French Hill**  
**Donna E. Shalala**  
**U.S. Senator Pat Toomey**

## **TABLE OF CONTENTS**

Introduction

Summary of Commission's First Eight Reports

Treasury and Federal Reserve Recent Developments

Appendix A: Commission Letter to Federal Reserve Regarding the Main Street Lending Program Loans

Appendix B: Commission Letter to U.S. Transportation Command Regarding Crowley Logistics

Appendix C: Treasury Department's Responses to Questions Regarding the Airline Loan Program, dated January 15, 2021



## INTRODUCTION

This is the ninth report of the Congressional Oversight Commission (“Commission”) created by the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”).<sup>1</sup> The Commission’s role is to conduct oversight of the implementation of Division A, Title IV, Subtitle A of the CARES Act (“Subtitle A”) by the U.S. Department of the Treasury (“Treasury”) and the Board of Governors of the Federal Reserve System (“Federal Reserve”). Subtitle A provided \$500 billion to the Treasury for lending and other investments “to provide liquidity to eligible businesses, States, and municipalities related to losses incurred as a result of coronavirus.”<sup>2</sup>

Of this amount, \$46 billion was set aside for the Treasury itself to provide loans or loan guarantees to certain types of companies. Up to \$25 billion was available for passenger air carriers, eligible businesses certified to inspect, repair, replace, or overhaul services, and ticket agents. Up to \$4 billion was available for cargo air carriers, and up to \$17 billion was available for businesses “critical to maintaining national security.”<sup>3</sup> Any unused portions of this \$46 billion, and the remaining \$454 billion, may be used to support emergency lending facilities established by the Federal Reserve.

The CARES Act charges the Commission with submitting regular reports to Congress on:

- The Federal Reserve’s use of its authority under Subtitle A, including the use of contracting authority and administration of the provisions of Subtitle A.
- The impact of loans, loan guarantees, and investments made under Subtitle A on the financial well-being of the U.S. economy.
- The extent to which the information made available on transactions under Subtitle A has contributed to market transparency.
- The effectiveness of loans, loan guarantees, and investments made under Subtitle A in minimizing long-term costs to the taxpayers and maximizing the benefits for taxpayers.<sup>4</sup>

In its first report to Congress on May 18, 2020, the Commission stated that it is responsible for answering two basic questions:

- What are the Treasury and the Federal Reserve doing with \$500 billion of taxpayer money?

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<sup>1</sup> CARES Act, Pub. L. No. 116-136, § 4020, 134 Stat. 281 (2020).

<sup>2</sup> *Id.* § 4003(a).

<sup>3</sup> *Id.* § 4003(b). In addition, Division A, Title IV, Subtitle B of the CARES Act (“Subtitle B”) authorized the Treasury to provide up to \$32 billion in financial assistance to passenger air carriers, cargo air carriers, and certain airline industry contractors that must be exclusively used for the continuation of payment of employee wages, salaries, and benefits. Of this amount, up to \$25 billion is available for passenger air carriers; up to \$4 billion is available for cargo air carriers; and up to \$3 billion is available for certain airline industry contractors. Subtitle B is not within the jurisdiction of the Commission.

<sup>4</sup> *Id.* § 4020.

- Who is that money helping?<sup>5</sup>

As of December 31, 2020, the emergency lending facilities established by the Federal Reserve that received CARES Act funds are:

Primary Market Corporate Credit Facility (“PMCCF”) and Secondary Market Corporate Credit Facility (“SMCCF”): Through a special purpose vehicle (“SPV”), the PMCCF enabled the Federal Reserve to purchase newly issued corporate bonds and portions of syndicated loans, and the SMCCF enabled the Federal Reserve to purchase previously issued corporate bonds and exchange-traded funds (“ETFs”) that invest in corporate bonds.<sup>6</sup> The PMCCF never made any purchases.<sup>7</sup> As of January 13, 2021, the SMCCF had an outstanding amount of bond ETFs and individual corporate bond purchases of \$14.3 billion.<sup>8</sup>

Main Street Lending Program (“MSLP”): The MSLP is comprised of five facilities— three dedicated to for-profit businesses and two dedicated to non-profit organizations. The Federal Reserve, through an SPV, acquired loans issued by lenders to small and medium-sized businesses and non-profit organizations with up to 15,000 employees or 2019 revenues of \$5 billion or less. As of December 14, 2020, 644 lenders had registered to participate in the program which no longer is accepting new submissions.<sup>9</sup> As of January 13, 2021, the Federal Reserve held \$14.3 billion in loan participations purchased under the MSLP.<sup>10</sup>

Municipal Liquidity Facility (“MLF”): Announced on April 9, 2020, the MLF enabled the Federal Reserve, through a SPV, to purchase short-term notes issued by state and local governments. The Treasury initially announced it intended to make an equity

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<sup>5</sup> Congressional Oversight Commission, *Questions About the CARES Act’s \$500 Billion Emergency Economic Stabilization Funds*, May 18, 2020, at 5, [https://coc.senate.gov/sites/default/files/2020-08/20200518\\_Congressional\\_Oversight\\_Committee\\_1st\\_Report.pdf](https://coc.senate.gov/sites/default/files/2020-08/20200518_Congressional_Oversight_Committee_1st_Report.pdf).

<sup>6</sup> Board of Governors of the Federal Reserve System, Primary Market Corporate Credit Facility Term Sheet, July 28, 2020, <https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200728a9.pdf>; Board of Governors of the Federal Reserve System, Secondary Market Corporate Credit Facility Term Sheet, July 28, 2020, <https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200728a1.pdf>.

<sup>7</sup> Board of Governors of the Federal Reserve System, *Periodic Report: Update on Outstanding Lending Facilities Authorized by the Board under Section 13(3) of the Federal Reserve Act*, Jan. 11, 2021, <https://www.federalreserve.gov/publications/files/pdcf-mmlf-cpff-pmccf-smccf-talf-mlf-ppplf-msnlf-mself-msplf-nonlf-noelf-01-11-21.pdf>.

<sup>8</sup> Board of Governors of the Federal Reserve System, Statistical Release H.4.1, *Factors Affecting Reserve Balances of the Depository Institutions and Condition Statement of Federal Reserve Banks*, Jan. 13, 2021, at n.4, <https://www.federalreserve.gov/releases/h41/>. The SPV is the Corporate Credit Facilities LLC.

<sup>9</sup> The lender registration summary data was provided by the Federal Reserve on November 28, 2020. Registered lenders that are accepting new applicants are listed on a state-by-state basis at: <https://www.bostonfed.org/supervision-and-regulation/supervision/special-facilities/main-street-lending-program/information-for-borrowers.aspx>.

<sup>10</sup> Board of Governors of the Federal Reserve System, Statistical Release H.4.1, *Factors Affecting Reserve Balances of the Depository Institutions and Condition Statement of Federal Reserve Banks*, Jan. 13, 2021, at table 4, <https://www.federalreserve.gov/releases/h41/>. The SPV for the MSLP is MS Facilities LLC.

investment of \$35 billion in the SPV, which could support up to \$500 billion in lending.<sup>11</sup> As of January 13, 2021, the MLF had \$6.3 billion in outstanding purchases of municipal notes.<sup>12</sup>

Term Asset-Backed Securities Loan Facility (“TALF”): The TALF enabled the Federal Reserve, through an SPV, to make loans to U.S. companies secured by asset-backed securities (“ABS”) backed by student loans, auto loans, credit card loans, commercial mortgages, leveraged loans, loans guaranteed by the Small Business Administration, and certain other assets.<sup>13</sup> TALF had a total outstanding amount of \$3.4 billion in loans as of January 13, 2021.<sup>14</sup>

### The Treasury’s Loans for National Security Businesses

The Treasury also had \$17 billion available to make loans to businesses critical to maintaining national security under Subtitle A through December 31, 2020. As of January 13, 2021, the Treasury reported that it had provided national security loans to eleven businesses, totaling \$735.9 million.<sup>15</sup> One business, YRC Worldwide, Inc. (“YRC”), accounted for 95% of the total outstanding.<sup>16</sup>

### The Treasury’s Loans for the Airline Industry

In addition, the Treasury had available \$29 billion to make loans to the airline industry under Subtitle A until December 31, 2020, with \$25 billion was available to passenger air carriers, including related businesses, and \$4 billion available to cargo air carriers.<sup>17</sup> As of January 13, 2021, the Treasury reported that it has provided twenty-four such loans to

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<sup>11</sup> Board of Governors of the Federal Reserve System, *Municipal Liquidity Facility Term Sheet*, Aug. 11, 2020, <https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200811a1.pdf>; Federal Reserve Bank of New York, *FAQs: Municipal Liquidity Facility*, Aug. 11, 2020, <https://www.newyorkfed.org/markets/municipal-liquidity-facility/municipal-liquidity-facility-faq>.

<sup>12</sup> Board of Governors of the Federal Reserve System, Statistical Release H.4.1, *Factors Affecting Reserve Balances of the Depository Institutions and Condition Statement of Federal Reserve Banks*, Jan. 13, 2021, at table 4, <https://www.federalreserve.gov/releases/h41/>. The SPV for the MLF is Municipal Liquidity Facility LLC.

<sup>13</sup> Board of Governors of the Federal Reserve, *Term Asset-Backed Securities Loan Facility Term Sheet*, July 28, 2020, <https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200728a6.pdf>.

<sup>14</sup> Board of Governors of the Federal Reserve System, Statistical Release H.4.1, *Factors Affecting Reserve Balances of the Depository Institutions and Condition Statement of Federal Reserve Banks*, Jan. 13, 2021, at table 4, <https://www.federalreserve.gov/releases/h41/>.

<sup>15</sup> U.S. Department of the Treasury, *Loans to Air Carriers, Eligible Businesses, and National Security Businesses*, last visited Jan. 21, 2021, <https://home.treasury.gov/policy-issues/cares/preserving-jobs-for-american-industry/loans-to-air-carriers-eligible-businesses-and-national-security-businesses>.

<sup>16</sup> U.S. Department of the Treasury, *Loans to Air Carriers, Eligible Businesses, and National Security Businesses*, last visited Jan. 21, 2021, <https://home.treasury.gov/policy-issues/cares/preserving-jobs-for-american-industry/loans-to-air-carriers-eligible-businesses-and-national-security-businesses>.

<sup>17</sup> CARES Act § 4003. Related businesses are eligible businesses that are certified under part 145 of title 14, Code of Federal Regulations, and approved to perform inspection, repair, replace, or overhaul services, and ticket agents (as defined in Section 40102 of Title 49 of the United States Code).

companies the Treasury characterizes as airlines, ticket agents, a repair station, and a cargo air carrier.<sup>18</sup> Those loans total \$21.2 billion.<sup>19</sup>

### State of the Commission

Section 4020 of Subtitle A created the Commission and outlines that the Commission will consist of five members appointed by the Speaker of the House, the Senate Majority Leader, the House Minority Leader, and the Senate Minority Leader. The fifth member is to be appointed jointly by the Speaker of the House and Senate Majority Leader after consultation with the House and Senate minority leaders and will serve as chair of the Commission.

At this time, the Commission has three Commissioners: Congressman French Hill (R-AR) appointed by House Minority Leader Kevin McCarthy (R-CA), Commissioner Donna Shalala appointed by Speaker of the House Nancy Pelosi (D-CA) and Senator Pat Toomey (R-PA) appointed by Senate Minority Leader Mitch McConnell (R-KY).

As outlined in the Commission's eighth report, Commissioner Bharat Ramamurti, who was appointed by Senate Majority Leader Chuck Schumer (D-NY), stepped down from his role on the Commission to join President Joe Biden's administration. Senator Schumer has yet to announce a replacement. Additionally, congressional leaders never appointed a chair for the Commission.

The programs that the Commission oversees terminated on December 31, 2020, or shortly thereafter. Under Section 4020 of Section A, the Commission shall terminate on September 30, 2025. Therefore, the Commission currently remains operational and will continue to release monthly reports. The Commission looks forward to analyzing loans, loan guarantees, and investments that were made prior to program termination. In the short term, we hope to do a deeper analysis on the loans underwritten as a part the MSLP and the Treasury's airline industry program. The Commission also congratulates Treasury Secretary Janet Yellen on her recent confirmation and looks forward to working with her in the future.

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In this report, we provide a summary of the Commission's first eight reports. We also provide updates regarding recent key actions taken by the Treasury and the Federal Reserve regarding each of the above lending programs and facilities under Subtitle A, as well as updates regarding the Commission's oversight activities.

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<sup>18</sup> U.S. Department of the Treasury, *Loans to Air Carriers, Eligible Businesses, and National Security Businesses*, last visited Jan. 21, 2021, <https://home.treasury.gov/policy-issues/cares/preserving-jobs-for-american-industry/loans-to-air-carriers-eligible-businesses-and-national-security-businesses> (see "Transaction Summary" of each transaction for more details).

<sup>19</sup> *Id.*



## SUMMARY OF COMMISSION'S FIRST EIGHT REPORTS

The Commission published eight monthly reports in 2020. These tracked the actions that the Treasury and the Federal Reserve took to implement Subtitle A of the CARES Act. At the time of the first report in May 2020, the Treasury had only disbursed \$37.5 billion in CARES Act funds to one Federal Reserve 13(3) facility, the SMCCF, and no funds had been disbursed to the airlines industry and national security direct loan or loan guarantee programs. While each report provided an insight into Treasury and Federal Reserve recent developments, several reports featured in-depth analyses on the various programs, including the MSLP, MLF, the national security loan program, and a specific national security loan to YRC.

Over the course of 2020, the Commission made 11 information requests to the Treasury, Federal Reserve, and the Department of Defense. The Commission analyzed the responses provided by these agencies to inform the 27 recommendations and conclusions the Commission made in its reports relating to the Subtitle A programs. Below are summaries of the Commission's first eight reports.

### **First Report—*May 18, 2020***

The Commission reviewed the actions that the Treasury and the Federal Reserve took to implement Subtitle A through May 17, 2020—including the design of lending programs and facilities—and outlined preliminary questions based on those actions.

### **Second Report—*June 18, 2020***

The second report focused on Treasury and the Federal Reserve's plans to use \$195 billion of the \$454 billion specifically allocated by the CARES Act to support emergency lending facilities established by the Federal Reserve. That money was dedicated to several lending facilities that the Federal Reserve determined could support nearly \$2 trillion in loans and asset purchases. As of June 17, 2020, the majority of those lending facilities were not operational, and the facilities had made a total of \$6.7 billion in purchases.

### **Third Report—*July 20, 2020***

As of July 15, 2020, the Federal Reserve's CARES Act lending facilities had made a total of \$13.6 billion in purchases and loans. The Treasury had made one direct loan, totaling \$700 million, to YRC, a business it decided was critical to maintaining national security. As of publication of the third Report, all of the Federal Reserve facilities funded by the CARES Act were operational.

### **Fourth Report—*August 21, 2020***

The fourth report of the Commission principally focused on the implementation of the MSLP by the Federal Reserve and the Treasury. The MSLP provided liquidity to small and medium-sized businesses by backing loans to businesses with up to 15,000 employees or less than \$5 billion in 2019 revenue. The program also backed loans to certain nonprofit

organizations between 10 and 15,000 employees or \$5 billion in 2019 revenues. The Treasury had pledged to invest \$75 billion in the program, which was administered by the Federal Reserve Bank of Boston (“Boston Federal Reserve”).

The Commission noted that at least three factors should inform policy discussions about the scope of the Federal Reserve’s emergency efforts to provide liquidity to small and medium-sized businesses.

- Current economic conditions;
- The critical economic contribution of small and medium-sized businesses; and
- The need or desire of small and medium-sized businesses for credit.

#### **Fifth Report—*October 15, 2020***

The fifth report of the Commission focused on the implementation of the MLF by the Federal Reserve and the Treasury.

The MLF calmed the municipal markets and provided an emergency lending backstop for states and municipalities. Rates for one to three year municipal notes fell lower than COVID-19 pandemic peak levels, but spreads to Treasuries remained elevated relative to pre-pandemic conditions. Nearly all investment-grade issuers were able to access the capital markets.

#### **Sixth Report—*October 29, 2020***

The sixth report of the Commission provided updates regarding the Treasury, Federal Reserve, and Commission’s activities since the Commission’s last report, which was issued on October 15, 2020.

#### **Seventh Report—*November 30, 2020***

The seventh report of the Commission focused on the Treasury and the Department of Defense’s \$700 million loan to YRC, which was made under the loan program “for businesses critical to maintaining national security.” Under the program, the Treasury determined the rates and conditions of the loans, while the Department of Defense or Director of National Intelligence determine whether the business is critical to maintaining national security. In YRC’s case, the Department of Defense made the national security designation.

The Commission also had serious concerns about the Treasury’s decisions regarding the terms and conditions of the loan. YRC has been operating at a loss and has had poor credit ratings—both before and during the pandemic. The Commission was concerned about the significant risk that YRC could default on the loan and the fact that the Treasury’s lien position was less favorable than that of YRC’s other creditors.

#### **Eighth Report—*December 31, 2020***

The eighth report of the Commission was a continuation of the seventh report which focused on the Treasury and the Department of Defense’s \$700 million loan to YRC, which was

made under the loan program “for businesses critical to maintaining national security.” This report also analyzed part of the additional ten smaller loans also executed as part of this program.

## TREASURY AND FEDERAL RESERVE RECENT DEVELOPMENTS

As of January 8, 2021, all of the emergency lending programs created by the Treasury and the Federal Reserve under Section 4003 of the CARES Act have ceased operations. On December 21, 2020, Congress passed new COVID-relief legislation in the Consolidated Appropriations Act, 2021, Pub. L. No. 115-260. In that legislation, Congress prohibited these Federal Reserve's CARES Act lending facilities from being restarted or replicated without congressional approval and rescinded the remaining unobligated balance of the \$500 billion previously made available under Section 4003 of the CARES Act for emergency lending programs.<sup>20</sup> The legislation immediately rescinded \$429 billion upon enactment and directed the rescission of further amounts not needed to fund outstanding commitments as of January 9, 2021.<sup>21</sup> Pursuant to the latter directive, on January 7 and 8, 2021, the Federal Reserve transferred \$62.2 billion to the Treasury and made corresponding amendments to its equity agreements with the Treasury.<sup>22</sup>

We summarize below the final amounts of credit extended by each facility, and other key developments. The Commission intends to do a more fulsome year-end analysis of the programs in its next report. In particular, the Commission's next report will focus on the MSLP, as that program saw a large increase in loan volume in its final days. The Commission recently sent a letter to the Federal Reserve asking for further information related to the MSLP as outlined in Appendix A.

### **Primary Market Corporate Credit Facility**

The PMCCF eased operations on December 31, 2020. The PMCCF did not engage in any transactions during the period in which it was operational.<sup>23</sup>

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<sup>20</sup> Consolidated Appropriations Act, 2021, Pub. L. No. 115-260, Division N, Title X, § 1003, 134 Stat. 1182.

<sup>21</sup> *Id.*

<sup>22</sup> Letter from Federal Reserve Bank of Boston to U.S. Department of the Treasury, dated Jan. 11, 2021, [https://www.bostonfed.org/-/media/Documents/special-lending-facilities/mslp/legal/2021\\_01\\_11\\_Letter\\_to\\_UST.pdf](https://www.bostonfed.org/-/media/Documents/special-lending-facilities/mslp/legal/2021_01_11_Letter_to_UST.pdf) (MSLP transfer letter); Second Amended and Restated Limited Liability Company Agreement of MS Facilities LLC, [https://www.bostonfed.org/-/media/Documents/special-lending-facilities/mslp/legal/MLSP\\_Amended\\_and\\_Restated\\_Limited\\_Liability\\_Company\\_Agreement\\_Jan20201\\_with\\_Revised\\_Schedule\\_A.pdf](https://www.bostonfed.org/-/media/Documents/special-lending-facilities/mslp/legal/MLSP_Amended_and_Restated_Limited_Liability_Company_Agreement_Jan20201_with_Revised_Schedule_A.pdf) (MSLP amended agreement); Letter from Federal Reserve Bank of New York to U.S. Department of the Treasury, dated Jan. 7, 2021, <https://www.newyorkfed.org/medialibrary/media/markets/mlf/MLF-limited-liability-company-agreement> (MLF transfer letter and amended agreement); Letter from Federal Reserve Bank of New York to U.S. Department of the Treasury, dated Jan. 7, 2021, [https://www.newyorkfed.org/medialibrary/media/markets/SMCCF\\_Limited\\_Liability\\_Company\\_Agreement.pdf](https://www.newyorkfed.org/medialibrary/media/markets/SMCCF_Limited_Liability_Company_Agreement.pdf) (CCFs transfer letter and amended agreement); Letter from Federal Reserve Bank of New York to U.S. Department of the Treasury, dated Jan. 7, 2021, [https://www.newyorkfed.org/medialibrary/media/markets/talfdocs/TALF\\_Limited\\_Liability\\_Company\\_Agreement.pdf](https://www.newyorkfed.org/medialibrary/media/markets/talfdocs/TALF_Limited_Liability_Company_Agreement.pdf) (TALF transfer letter and amended agreement).

<sup>23</sup> Board of Governors of the Federal Reserve System, *Periodic Report: Update on Outstanding Lending Facilities Authorized by the Board under Section 13(3) of the Federal Reserve Act*, Jan. 9, 2021, <https://www.federalreserve.gov/publications/files/pdcf-mmlf-cpff-pmccf-smccf-talf-mlf-ppplf-msnlf-mself-msplf->

## **Secondary Market Corporate Credit Facility**

The SMCCF ceased operations on December 31, 2020. As of its closure, the SMCCF had purchased individual corporate bonds from 557 different issuers, with the amortized cost of outstanding individual bond holdings totaling \$5.5 billion.<sup>24</sup> The chart below summarizes the SMCCF's 15 largest individual bond holdings.<sup>25</sup> As of its closure, the SMCCF also owns 16 bond ETFs with a market value of \$8.8 billion, including 7 high-yield bond ETFs.<sup>26</sup>

It is unclear whether and when the Federal Reserve will unwind its corporate bond investments, particularly with respect to the ETFs. Chair Powell has testified that “[w]e are generally a hold to maturity [investor]. It may be that we sell some back into the secondary market down the road, but ultimately we’re [a] buy-and-hold type buyer.”<sup>27</sup>

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[nonlf-noelf-01-11-21.pdf#page=3](#).

<sup>24</sup> Board of Governors of the Federal Reserve System, *Periodic Report: Update on Outstanding Lending Facilities Authorized by the Board under Section 13(3) of the Federal Reserve Act (Transaction-specific Disclosures)*, Jan. 11 2021, <https://www.federalreserve.gov/publications/files/smccf-transaction-specific-disclosures-01-11-21.xlsx>.

<sup>25</sup> *Id.* As reflected in the transaction-level disclosure, a number of the corporate bonds held by the Federal Reserve have matured, been redeemed, or been exchanged.

<sup>26</sup> *Id.*

<sup>27</sup> House Financial Services Committee Hearing on Economic with Federal Reserve Chair Jerome Powell, 116th Cong. (June 17, 2020) (Testimony of Chair Jerome Powell), *available at* <https://www.rev.com/blog/transcripts/house-financial-committee-hearing-transcript-on-economy-with-jerome-powell>.

Issuer	Sector	Amortized Cost (\$ Millions)	Percentage SMCCF Individual Bond Holdings
AT&T Inc.	Communications	98.2	1.77%
Toyota Motor Credit Corp.	Consumer Cyclical	95.8	1.73%
Daimler Finance North America LLC	Consumer Cyclical	92.9	1.68%
Verizon Communications Inc.	Communications	92.2	1.66%
Volkswagen Group of America Finance LLC	Consumer Cyclical	89.7	1.62%
Apple Inc.	Technology	87.5	1.58%
Comcast Corp.	Communications	84.6	1.53%
BMW US Capital LLC	Consumer Cyclical	69.7	1.26%
General Electric Co.	Capital Goods	68.5	1.24%
Ford Motor Credit Co. LLC	Consumer Cyclical	68.2	1.23%
Microsoft Corp.	Technology	67.4	1.22%
AbbVie Inc.	Consumer Non-Cyclical	58.4	1.06%
CVS Health Corp.	Consumer Non-Cyclical	53.4	0.96%
BP Capital Markets America Inc.	Energy	53.2	0.96%
General Motors Financial Co. Inc.	Consumer Cyclical	50.3	0.91%

### **Main Street Lending Program**

The Consolidated Appropriations Act, 2021 permitted a brief extension of the period to submit new loans to the MSLP. The legislation authorized the MSLP to purchase additional loan participations until January 8, 2021, provided that the loan was submitted to the MSLP's lender portal on or before December 14, 2020.<sup>28</sup> The Federal Reserve subsequently voted to extend the MSLP's expiration date until January 8, 2021,<sup>29</sup> and the MSLP ceased operations on that date.

The total loan participations purchased by the MSLP while it was operational totaled \$16.6 billion,<sup>30</sup> representing 2.8% of its original \$600 billion lending capacity.<sup>31</sup> More than half

<sup>28</sup> Consolidated Appropriations Act, 2021, Pub. L. No. 115-260, Division N, Title X, § 1005, 134 Stat. 1182.

<sup>29</sup> Board of Governors of the Federal Reserve, Board Votes, Dec. 29, 2020, <https://www.federalreserve.gov/aboutthefed/boardvotes.htm>.

<sup>30</sup> Letter from Federal Reserve Bank of Boston to U.S. Department of the Treasury, dated Jan. 11, 2021, [https://www.bostonfed.org/-/media/Documents/special-lending-facilities/mslp/legal/2021\\_01\\_11\\_Letter\\_to\\_UST.pdf](https://www.bostonfed.org/-/media/Documents/special-lending-facilities/mslp/legal/2021_01_11_Letter_to_UST.pdf) (MSLP transfer letter).

<sup>31</sup> Board of Governors of the Federal Reserve, *Federal Reserve takes additional actions to provide up to \$2.3 trillion in loans to support the economy*, Apr. 9, 2020, <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200409a.htm>.

of that \$16.6 billion reflects MSLP loan purchases made in December 2020.<sup>32</sup> In a recent speech, Boston Federal Reserve President Eric Rosengren, who oversaw the MSLP’s implementation, stated that the MSLP experienced a significant December “surge in demand following the November 19 announcement of the decision by the Treasury to not extend the facility,” with the MSLP settling nearly twice the number of loans in December as it had from July to November and with 45% of the ultimate total pool of lenders participating in the MSLP for the first time in December.<sup>33</sup> President Rosengren attributed the December surge to both the announcement of the program’s impending closure and to “the stresses many medium-sized businesses were experiencing at the end of 2020 as a result of the resurgence of COVID infections.”<sup>34</sup> He further stated that, in his view, “were certain tweaks permitted, [the MSLP] could have been more impactful.”<sup>35</sup>

As noted above, the Commission intends to focus its next report in part on the MSLP program’s surge. Final transaction-level disclosures for the program are not yet available but are anticipated in early February 2021.

### **Municipal Liquidity Facility**

The MLF ceased operations on December 31, 2020. During its period of operation, the MLF purchased a total of four notes from just two borrowers— State of Illinois and New York City’s Metropolitan Transportation Authority. These notes total \$6.6 billion, representing 1% of the MLF’s original \$500 billion lending capacity.<sup>36</sup>

### **Term Asset-Backed Securities Loan Facility**

The TALF ceased operations on December 31, 2020. During its period of operation, the TALF made 224 loans totaling \$4.4 billion to 20 investment funds.<sup>37</sup> More than half of the material investors in these investment funds are foreign companies.<sup>38</sup> The following chart shows the five investment funds that received the most TALF money.

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<sup>32</sup> Board of Governors of the Federal Reserve System, *Periodic Report: Update on Outstanding Lending Facilities Authorized by the Board under Section 13(3) of the Federal Reserve Act (Transaction-specific Disclosures)*, Jan. 11 2021, <https://www.federalreserve.gov/publications/files/mslp-transaction-specific-disclosures-01-11-21.xlsx>.

<sup>33</sup> Eric S. Rosengren, President and Chief Executive Officer, Federal Reserve Bank of Boston, *The Economic Outlook – Optimism Despite the Challenges Ahead*, Speech to the Greater Boston Chamber of Commerce, dated Jan. 12, 2021, at 10, <https://www.bostonfed.org/-/media/Documents/Speeches/PDF/20210112-text.pdf>.

<sup>34</sup> *Id.*

<sup>35</sup> *Id.* at 11.

<sup>36</sup> Board of Governors of the Federal Reserve System, *Periodic Report: Update on Outstanding Lending Facilities Authorized by the Board under Section 13(3) of the Federal Reserve Act (Transaction-specific Disclosures)*, Jan. 11 2021, <https://www.federalreserve.gov/publications/files/mlf-transaction-specific-disclosures-01-11-21.xlsx>.

<sup>37</sup> Board of Governors of the Federal Reserve System, *Periodic Report: Update on Outstanding Lending Facilities Authorized by the Board under Section 13(3) of the Federal Reserve Act (Transaction-specific Disclosures)*, Jan. 11 2021, <https://www.federalreserve.gov/publications/files/talf-transaction-specific-disclosures-01-11-21.xlsx>.

<sup>38</sup> *Id.*

<b>Investment Fund</b>	<b>TALF Loan Amount (\$)</b>	<b>Percentage of Total TALF Program</b>
Alta Fundamental Advisers SP LLC - Belstar-Alta Series 1	2,336,550,918	52.5%
MacKay Shields TALF 2.0 Opportunities Master Fund LP	900,005,025	20.2%
Alta Fundamental Advisers SP LLC - Belstar-Alta Series 2	268,263,483	6.0%
Palmer Square TALF Opportunity Sub LLC	221,611,128	5.0%
BlackRock Securitized Investors, L.P.	113,504,000	2.6%

The investment funds use TALF loans to purchase securities backed by certain types of consumer and business loans. The chart below illustrates the collateral sector breakdown of the underlying loans that were purchased by investor funds using TALF loan proceeds.

<b>Collateral Sector</b>	<b>TALF Loan Amount (\$)</b>	<b>Percentage of Total TALF Program</b>
Small Business Administration Loans	2,414,888,209	54.3%
Commercial Mortgage	1,158,134,316	26.0%
Leveraged Loan	479,600,000	10.8%
Private Student Loans	289,156,531	6.5%
Premium Finance	106,934,556	2.4%
<b>Total</b>	<b>4,448,713,611</b>	<b>100.0%</b>

The following chart shows the five asset-backed securities issuers with the most TALF-funded purchases.

<b>Issuer</b>	<b>Sector</b>	<b>TALF Loan Amount (\$)</b>	<b>Percentage of Total TALF Program</b>
Small Business Administration	Small Business	2,414,888,209	54.3%
Golub Capital Partners TALF 2020-1 LLC	Leveraged Loan	327,600,000	7.4%
Navient Private Education Refi Loan Trust 2020-F	Private Student Loans	213,372,493	4.8%
Golub Capital Partners TALF 2020-2 LLC	Leveraged Loan	152,000,000	3.4%
PFS Financing Corp	Premium Finance	106,934,556	2.4%



### **Treasury Loans for National Security Businesses**

The Treasury did not make any additional national security loans since the Commission's last report, and the program is now closed. During its operation, the national security loan program made 11 loans totaling \$735.9 million.<sup>39</sup> The Commission continues to review these loans, their documentation and the rationale for these select companies. The Commission recently sent a letter to the U.S. Transportation Command, a DOD functional combatant command responsible for providing air, land, and sea transportation to meet national security needs. The letter inquires about Crowley Logistics' work as a prime contractor for the DOD and Crowley's relationship with their subcontractor, YRC. The letter is attached as Appendix B.

### **Treasury Loans for the Airline Industry**

The Treasury did not make any additional airline loans since the Commission's last report, and the program is now closed. During its operation, the airline loan program made 24 loans totaling \$12.4 billion.<sup>40</sup> The Commission submitted written questions to the Treasury regarding the airline loan program on November 30, 2020. The Treasury's written responses, provided to the Commission on January 15, 2021, are attached as Appendix C.

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<sup>39</sup> U.S. Department of the Treasury, *Loans to Air Carriers, Eligible Businesses, and National Security Businesses*, last visited Jan. 15, 2020, <https://home.treasury.gov/policy-issues/cares/preserving-jobs-for-american-industry/loans-to-air-carriers-eligible-businesses-and-national-security-businesses>.

<sup>40</sup> *Id.*

**Appendix A:**  
**Commission Letter to Federal Reserve Regarding the Main Street Lending  
Program Loans**

## Congressional Oversight Commission

January 26, 2021

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

The Honorable Eric S. Rosengren  
President & Chief Executive Officer  
Federal Reserve Bank of Boston  
600 Atlantic Avenue  
Boston, MA 02210

Dear Chairman Powell and President Rosengren:

Section 4020(b) of the CARES Act charges the Congressional Oversight Commission with the duty to conduct oversight of both the Treasury Department and the Federal Reserve with respect to Subtitle A, Division A programs.

Pursuant to Section 4020(e)(1), (4) of the Act, the Congressional Oversight Commission requests that you provide copies of a sample of loan files related to the recently completed Main Street Lending Program as outlined below. This sample represents a few of the program's smallest loans, biggest loans, median-sized loans, and loans from the program's most frequent lender, National City Bank of Florida. In addition, we would like you to discuss what your plan is for monitoring the performance of loans in the Main Street Lending Program now that the program has completed.

Sample of Loans Requested by Borrower:

- Red Rooster of Ridgefield, LLC, (Lender ABA# 221172241)
- Tres Hombres Restaurants, Inc., (Lender ABA# 26009593)
- Marquez Farms LLC (Lender ABA# 066004367)
- Newport Property Construction, LTD. (Lender ABA# 075910921)
- Fitness International, LLC (Lender ABA# 26009593)
- BCD Travel USA LLC (Lender ABA# 26009593)
- SB Investment Group, Inc. (Lender ABA# 066004367)
- DeMayo Restaurant Group, Inc. (Lender ABA# 066004367)
- Venevision Continental LLC (Lender ABA# 066004367)

The Commission is willing to accept the information on a confidential basis. The Commission kindly asks that this information be provided by February 16, 2021 in order for it to be able to conduct proper oversight in anticipation of the February report. Thank you for your attention to this matter.

Sincerely,

/s/  
French Hill  
Member of Congress

/s/  
Donna Shalala  
Commissioner

/s/  
Pat Toomey  
U.S. Senator

**Appendix B:**  
**Commission Letter to U.S. Transportation Command Regarding Crowley**  
**Logistics**

## Congressional Oversight Commission

January 25, 2021

General Stephen R. Lyons  
Commander  
U.S. Transportation Command  
Scott Air Force Base  
Illinois, 62225

Dear General Lyons:

This letter continues the Congressional Oversight Commission's (the "Commission") review of the U.S. Department of Treasury (the "Treasury") loan provided to YRC Worldwide, Inc. ("YRC"). As you may know, the Commission has been tasked with overseeing the \$454 billion provided to the Treasury's Exchange Stabilization Fund per the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Of those funds, \$17 billion was designated to businesses critical to maintaining national security of which YRC received \$700 million. The Department of Defense (the "DOD") determined that YRC is critical to national security.

The Commission has been doing extensive oversight of the YRC loan as it believes the loan may be hurtful to taxpayers. As part of that work, the Commission conducted a hearing with Treasury and a teleconference briefing with DOD. It has also sent multiple letters and questions to both agencies. As part of the DOD teleconference briefing with Undersecretary Ellen M. Lord, the Commission received additional documentation including a copy of the Crowley Logistics ("Crowley") contract dated November 22, 2016 and a copy of the contract modification dated August 1, 2020. These were accompanied by a performance work statement ("PWS") for Department of Defense Freight Transportation Services ("DFTS") dated August 1, 2020. The Commission acknowledges that these documents are for internal use only and not for public dissemination.

In response to this additional documentation, the Commission has additional questions and information it would like answered or provided as it relates to the work Crowley does as a prime contractor for the DOD. Please note, the Commission has addressed this letter to USTRANSCOM as it believes you are in the best position to provide the necessary information, however, please consult with DOD as warranted to ensure the Commission receives the most complete answers possible.

### **1. Correspondence between USTRANSCOM and Crowley**

Undersecretary Lord told the Commission during her teleconference that DOD does not oversee subcontractors and leaves that responsibility to the prime contractor. That same sentiment is echoed in the PWS stating that "the Contractor shall manage its human and physical resources, including its sub-contractors, to partner with DOD and its stakeholders." Additionally, Undersecretary Lord stated in her follow-up materials that USTRANSCOM contacted Crowley regarding the anticipated effect of YRC ceasing LTL services.

Please summarize the extent of that correspondence and provide any documentation of that correspondence including, but not limited, email correspondence with Crowley and the DOD, memoranda, summary of all meetings and phone calls USTRANSCOM had with Crowley and DOD and any corresponding documentation.

Additionally, in USTRANSCOM's correspondence with Crowley, what did they say would be the anticipated effect of ceasing YRC's LTL services? Did USTRANSCOM ask Crowley if YRC should be designated as critical to national security? If so, please provide the justification Crowley provided.

## **2. Additional Documentation**

As outlined, the PWS requires timely reporting of key metrics for each contractor and requires contractor to "supply a scorecard of all required performance data to the government program manager and the contracting officer and the contracting officer representative."

Please provide copies of the metrics reported by Crowley for all subcontracted LTL carriers, not just YRC, for 2018, 2019 and 2020. The reports should include but not be limited to on time response, on time pick up, on time delivery, and any loss and damage claims.

Please also provide information related to the freight prices paid monthly for 2018, 2019, and 2020, including total freight prices and average freight calls for all LTL shipments, not just YRC. Please show present the data as cost per mile, cost per hundredweight, cost per pound, as appropriate.

Thank you for your willingness to help the Congressional Oversight Commission. We have appreciated the work and cooperation of the DOD with the Commission thus far and look forward to a continued positive relationship.

Sincerely,

/s/  
French Hill  
Member of Congress

/s/  
Donna Shalala  
Commissioner

/s/  
Pat Toomey  
U.S. Senator

CC: Lloyd J. Austin III, Secretary of Defense

**Appendix C:**  
**Treasury Department's Responses to Questions Regarding the Airline Loan**  
**Program, dated January 15, 2021**



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

January 15, 2021

The Honorable French Hill  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Donna E. Shalala  
U.S. House of Representatives  
Washington, DC 20515

Mr. Bharat Ramamurti  
Congressional Oversight Commission  
Washington, DC 20515

The Honorable Pat Toomey  
United States Senate  
Washington, DC 20510

Dear Members of the Congressional Oversight Commission:

I write in further response to your November 30, 2020 letter, which enclosed questions and information requests from the Congressional Oversight Commission and additional questions from individual commissioners regarding the loan program for air carriers and related airline-industry businesses under the Coronavirus Aid, Relief, and Economic Security Act.

Enclosed are responses and materials identified as responsive to those requests. Please note that the Department of the Treasury has identified materials being produced as containing sensitive, nonpublic information, and we appreciate the Commission's commitment to handling such materials in a confidential manner and to not disclosing or discussing the contents thereof outside of the Commission without prior written authorization from Treasury.

We appreciate your patience in receiving this response as we worked to further support those impacted by the COVID-19 pandemic through the enactment and implementation of new legislation that is already providing additional vital relief to American workers and families. We also hope the information we were able to provide you last month in response to other requests that we understood to be priorities for the Commission has been helpful.

If you have further questions, please direct your staff to contact the Office of Legislative Affairs

Sincerely,

Frederick W. Vaughan  
Principal Deputy Assistant Secretary  
Office of Legislative Affairs

Enclosures