

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

June 30, 2021

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

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INTRODUCTION

This is the fourteenth report of the Congressional Oversight Commission (“Commission”) created by the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”).¹ 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.”²

Of this amount, \$46 billion was set aside for the Treasury 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 \$17 billion was available for businesses “critical to maintaining national security.”³

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.⁴

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?

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

² *Id.* § 4003(a).

³ *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. Subtitle B is not within the jurisdiction of the Commission.

⁴ *Id.* § 4020.

- Who is that money helping?⁵

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.⁶ The PMCCF never made any purchases during the period it was operational.⁷ As of June 23, 2021, the SMCCF had an outstanding amount of bond ETF and individual corporate bond purchases of \$11.6 billion.⁸

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 June 23, 2021, the Federal Reserve held \$16.2 billion in loan participations purchased under the MSLP.⁹

Municipal Liquidity Facility (“MLF”): The MLF enabled the Federal Reserve, through an SPV, to purchase short-term notes issued by state and local governments. As of June 23, 2021, the MLF had \$5.0 billion in outstanding purchases of municipal notes.¹⁰

⁵ 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.

⁶ 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>.

⁷ 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*, Jun. 10, 2021, <https://www.federalreserve.gov/publications/files/pdcf-mmlf-cpff-pmccf-smccf-talf-mlf-ppplf-msnlf-mself-msplf-nonlf-noelf-06-10-21.pdf>.

⁸ 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*, Jun. 24, 2021, at n.4, <https://www.federalreserve.gov/releases/h41/>. The SPV for the SMCCF is the Corporate Credit Facilities LLC. The SPV for the MSLP is MS Facilities LLC. The SPV for the MLF is Municipal Liquidity Facility LLC.

⁹ *Id.*

¹⁰ *Id.*

Term Asset-Backed Securities Loan Facility (“TALF”): The Federal Reserve established TALF to support the flow of credit to consumers and businesses, and to generally improve the market conditions for asset-backed securities (“ABS”).¹¹ TALF’s purpose was to enable the issuance of ABS backed by student loans, auto loans, credit card loans, loans guaranteed by the Small Business Administration, leveraged loans, commercial mortgages, and certain other assets.¹² TALF had a total outstanding amount of \$1.6 billion in loans as of June 23, 2021.¹³

The direct lending programs managed by the Treasury that received CARES Act funds are:

Treasury Loans for National Security Businesses: The Treasury had \$17 billion available to make loans to businesses critical to maintaining national security under Subtitle A. The Treasury provided national security loans to eleven businesses, totaling \$735.9 million.¹⁴ One business, Yellow Corporation (“Yellow”), which was formerly known as YRC Worldwide, Inc. (“YRC”), accounted for 95% of the total outstanding loans.¹⁵

Treasury Loans for the Airline Industry: In addition, the Treasury had \$29 billion available to make loans to the airline industry under Subtitle A, with \$25 billion available for passenger air carriers, including related businesses, and \$4 billion available for cargo air carriers.¹⁶ The Treasury lent \$21.2 billion across twenty-four such loans to companies the Treasury characterized as airlines, ticket agents, a repair station, and a cargo air carrier.¹⁷

In this report, we 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.

¹¹ Federal Reserve, Term Asset-Backed Securities Loan Facility Term Sheet, Jul. 28, 2020, <https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200728a6.pdf>.

¹² *Id.*

¹³ 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*, Jun. 24, 2021, at n.4, <https://www.federalreserve.gov/releases/h41/>.

¹⁴ U.S. Department of the Treasury, *Loans to Air Carriers, Eligible Businesses, and National Security Businesses*, last visited Jun. 28, 2021, <https://home.treasury.gov/policy-issues/cares/preserving-jobs-for-american-industry/loans-to-air-carriers-eligible-businesses-and-national-security-businesses>.

¹⁵ Yellow Corporation, *YRC Worldwide Inc. is Renamed Yellow Corporation*, Feb. 4, 2021, <https://investors.myyellow.com/news-releases/news-release-details/ycr-worldwide-inc-renamed-yellow-corporation>.

¹⁶ 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).

¹⁷ U.S. Department of the Treasury, *Loans to Air Carriers, Eligible Businesses, and National Security Businesses*, last visited Jun. 28, 2021, <https://home.treasury.gov/policy-issues/cares/preserving-jobs-for-american-industry/loans-to-air-carriers-eligible-businesses-and-national-security-businesses>.

TREASURY AND FEDERAL RESERVE RECENT DEVELOPMENTS

As of January 8, 2021, all 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.¹⁸

We summarize below the outstanding amounts of credit extended by each facility and other key developments.

Primary Market Corporate Credit Facility ("PMCCF")

The PMCCF ceased operations on December 31, 2020. The PMCCF did not engage in any transactions during the period in which it was operational.¹⁹

Secondary Market Corporate Credit Facility ("SMCCF")

The SMCCF ceased operations on December 31, 2020. As of its closure, the SMCCF invested in 16 bond ETFs with a market value of \$8.8 billion, including seven high-yield bond ETFs with a market value of \$1.2 billion.²⁰ As of May 31, 2021, these securities were worth \$8.6 billion.²¹

As of its closure, the SMCCF also had purchased individual corporate bonds from 557 different issuers, with the amortized cost of outstanding individual bond holdings totaling \$5.5

¹⁸ Consolidated Appropriations Act, 2021, Pub. L. No. 115-260, Division N, Title X, § 1003, 134 Stat. 1182.

¹⁹ 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*, Jun. 10, 2021, <https://www.federalreserve.gov/publications/files/pdcf-mmlf-cpff-pmccf-smccf-talf-mlf-ppplf-msnlf-mself-msplf-nonlf-noelf-06-10-21.pdf>.

²⁰ 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>.

²¹ 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)*, Jun. 10 2021, <https://www.federalreserve.gov/publications/files/smccf-transaction-specific-disclosures-06-10-21.xlsx>.

billion.²² As of May 31, 2021, the SMCCF held \$5.0 billion in individual bond purchases.²³ The chart below summarizes the SMCCF's ten largest individual bond holdings, which make up 15.2% of SMCCF's holdings.²⁴

Issuer	Sector	Amortized Cost (\$ Millions)	Percentage of SMCCF's Individual Bond Holdings
AT&T Inc.	Communications	97.5	1.93%
Volkswagen Group of America Finance LLC	Consumer Cyclical	89.0	1.76%
Toyota Motor Credit Corp.	Consumer Cyclical	87.4	1.73%
Comcast Corp.	Communications	83.8	1.66%
Daimler Finance North America LLC	Consumer Cyclical	82.4	1.63%
Apple Inc.	Technology	73.1	1.45%
Microsoft Corp.	Technology	66.9	1.32%
General Electric Co.	Capital Goods	65.6	1.30%
BMW US Capital LLC	Consumer Cyclical	63.1	1.25%
Ford Motor Credit Co LLC	Consumer Cyclical	60.2	1.19%

The Federal Reserve had indicated to the Commission that the Federal Reserve would unwind positions in the SMCCF based on the prevailing facts and circumstances, as economic and financial conditions evolve. On June 17, 2020, Federal Reserve Chair Jerome Powell 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.”²⁵

²² 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>.

²³ 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)*, Jun. 10 2021, <https://www.federalreserve.gov/publications/files/smccf-transaction-specific-disclosures-06-10-21.xlsx>.

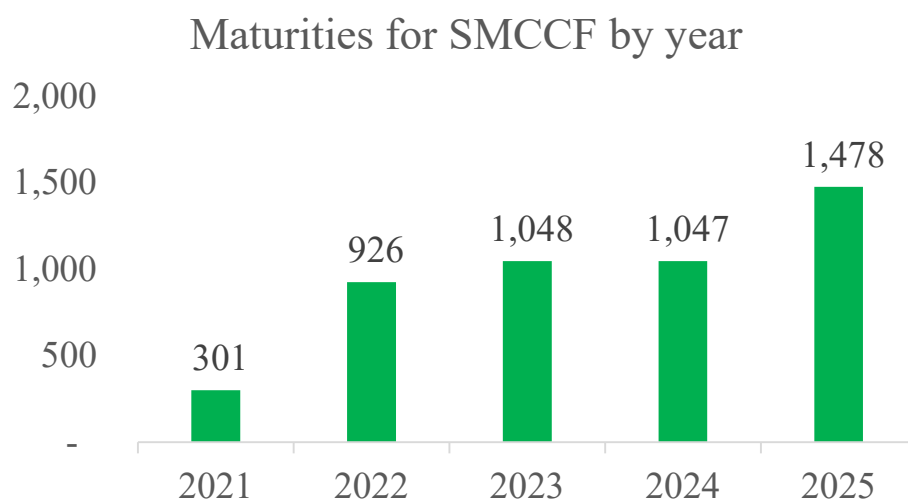
²⁴ *Id.*

²⁵ House Financial Services Committee Hearing on Economic with Federal Reserve Chair Jerome Powell, 116th Cong. (June 17, 2020) (Testimony of Chair Jerome Powell), <https://www.rev.com/blog/transcripts/house-financial-committee-hearing-transcript-on-economy-with-jerome-powell>.

As of May 31, 2021, 53 bonds held by the SMCCF had matured, 128 bonds had been redeemed early, and 1,180 bonds remained in the facility.²⁶

On June 2, 2021, the Federal Reserve announced plans to begin winding down the SMCCF's portfolio of bond ETFs and individual corporate bonds.²⁷ On June 10, 2021, the Federal Reserve briefed the Commission on its plan to sell the SMCCF's holdings. It intends sales to be gradual and orderly. The Federal Reserve also intends to take into account daily liquidity and trading conditions for ETFs and corporate bonds to minimize the potential for any adverse impact on market functioning. Its goal is to complete the sale of the SMCCF's assets by December 31, 2021. For context, approximately \$30 billion of corporate bonds have been traded each day, on average, since the beginning of 2020.²⁸ As of May 31, 2021, the SMCCF held \$5.0 billion in individual bond purchases.²⁹

All of the individual corporate bonds held by the SMCCF mature by the end of 2025. Almost half of the bonds in the SMCCF mature by the end of 2023.³⁰ As seen in the graph below, the largest number of these bonds mature in 2025, but bond maturities are spread out fairly evenly among the five years that bonds are due to mature. This reduces risk to the taxpayer as the SMCCF will not be dependent on market conditions in any given year.



²⁶ 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)*, Jun. 10 2021, <https://www.federalreserve.gov/publications/files/smccf-transaction-specific-disclosures-06-10-21.xlsx>.

²⁷ Board of Governors of the Federal Reserve System, *Federal Reserve Board announces plans to begin winding down the portfolio of the Secondary Market Corporate Credit Facility*, Jun. 2, 2021, <https://www.federalreserve.gov/newsevents/pressreleases/monetary20210602a.htm>.

²⁸ SIFMA, *U.S. Corporate Bond Statistics*, Jun. 10, 2021, <https://www.sifma.org/resources/research/us-corporate-bonds-statistics/us-corporate-bonds-statistics-sifma/>.

²⁹ 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)*, Jun. 10 2021, <https://www.federalreserve.gov/publications/files/smccf-transaction-specific-disclosures-06-10-21.xlsx>.

³⁰ *Id.*

The Federal Reserve has indicated to the Commission that the SMCCF's corporate bond investments are subject to review each quarterly reporting period to identify and evaluate investments that have indications of possible credit impairment. In addition, the Federal Reserve's analysis related to portfolio performance includes an evaluation of dividend and interest income, prepayments, and losses under a range of possible future conditions. As of May 31, 2021, the Federal Reserve does not expect any losses in the SMCCF portfolio.³¹

Main Street Lending Program ("MSLP")

The MSLP ceased operations on January 8, 2021. The MSLP purchased 1,830 loan participations while it was operational, totaling \$16.6 billion,³² representing 2.8% of its original \$600 billion lending capacity.³³ As of May 31, 2021, the MSLP had a balance of \$16.3 billion in loan participations, with an estimated loan loss allowance that increased to \$2.7 billion, up from previous estimate of \$2.4 billion.³⁴ For context, the Small Business Administration's 7(a) Loan Program that targets small businesses has experienced cumulative defaults of 10% to 28% throughout the life of the loans, with loans that were originated in the lead-up to the 2007 financial crisis experiencing 30% to 40% of defaults.³⁵

Every MSLP loan matures in 2025.³⁶ This introduces risk to the taxpayer, as the MSLP will be dependent on market conditions in 2025. To mitigate the above risk, the Federal Reserve monitors credit quality based on borrower information provided to it. The terms of the MSLP participation agreement require the borrower to provide the MSLP with certain financial information quarterly and annually, as well as any material developments. The Federal Reserve,

³¹ 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*, Jun. 10, 2021, <https://www.federalreserve.gov/publications/files/pdcf-mmlf-cpff-pmccf-smccf-talf-mlf-ppplf-msnlf-mself-msplf-nonlf-noelf-06-10-21.pdf>.

³² 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)*, Feb. 8 2021, <https://www.federalreserve.gov/publications/files/mslp-transaction-specific-disclosures-02-09-21.xlsx>.

³³ 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>.

³⁴ 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*, Jun. 10, 2021, <https://www.federalreserve.gov/publications/files/pdcf-mmlf-cpff-pmccf-smccf-talf-mlf-ppplf-msnlf-mself-msplf-nonlf-noelf-06-10-21.pdf>.

³⁵ S&P Global, *Small Business ABS Credit Quality Hinges on Pandemic Duration and Stimulus Efficacy*, Apr. 28, 2020, <https://www.spglobal.com/ratings/en/research/articles/200428-small-business-abs-credit-quality-hinges-on-pandemic-duration-and-stimulus-efficacy-11467182>.

³⁶ 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*, Jun. 10, 2021, <https://www.federalreserve.gov/publications/files/pdcf-mmlf-cpff-pmccf-smccf-talf-mlf-ppplf-msnlf-mself-msplf-nonlf-noelf-06-10-21.pdf>.

with the assistance of a third-party vendor, reviews and analyzes this information and uses it to develop an internal credit score for MSLP loans. As seen in the table below, the evaluation of loan participations purchased by the MSLP resulted in a loan loss allowance in the amount of \$2.7 billion as of May 31, 2021, equivalent to 16.5% of the \$16.3 billion loan participations' balance.³⁷ This balance increased from an estimate of loan losses of \$2.4 billion on March 31, 2021.³⁸ As of May 31, 2021, MSLP has recognized approximately \$4 million in loan losses.³⁹

Date as of	Loan Loss Reserve	Portfolio Balance	Loan Loss % of Total Portfolio	Actual Losses
May 31, 2021	\$2.7 billion	\$16.3 billion	16.5%	\$4 million
March 31, 2021	\$2.4 billion	\$16.5 billion	14.5%	\$0

Municipal Liquidity Facility (“MLF”)

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—the State of Illinois and New York City’s Metropolitan Transportation Authority (“MTA”). These notes totaled \$6.6 billion, representing 1% of the MLF’s original \$500 billion lending capacity.⁴⁰ As of May 31, 2021, the Federal Reserve held \$5.5 billion of outstanding asset purchases.⁴¹

Most of the MLF’s municipal notes mature in 2023.⁴² The concentration of notes due in 2023 exposes the taxpayer to the risk of market conditions in 2023. To mitigate this risk, the Federal Reserve reviews the MLF municipal note investments on a quarterly basis to identify investments that have indications of possible credit impairment. In addition, the Federal Reserve’s modeling of portfolio performance includes an evaluation of the municipal note portfolio performance under stress conditions. As of May 31, 2021, the Federal Reserve does not

³⁷ *Id.*

³⁸ 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*, Apr. 9, 2021, <https://www.federalreserve.gov/publications/files/pdcf-mmlf-cpff-pmccf-smccf-talf-mlf-ppplf-msnlf-mself-msplf-nonlf-noelf-04-12-21.pdf>.

³⁹ 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*, Jun. 10, 2021, <https://www.federalreserve.gov/publications/files/pdcf-mmlf-cpff-pmccf-smccf-talf-mlf-ppplf-msnlf-mself-msplf-nonlf-noelf-06-10-21.pdf>.

⁴⁰ 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)*, Jun. 10 2021, <https://www.federalreserve.gov/publications/files/mlf-transaction-specific-disclosures-06-10-21.xlsx>.

⁴¹ *Id.*

⁴² *Id.*

expect any losses in the MLF portfolio.⁴³

Term Asset-Backed Securities Loan Facility (“TALF”)

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, representing 4% of TALF’s of original \$100 billion lending capacity.⁴⁴ While TALF only issued \$4.4 billion in loans, improvements in the funding markets allowed \$304.3 billion in capital to flow to borrowers in the ABS markets in 2020.⁴⁵ Many TALF borrowers have elected to prepay their TALF loans, causing the size of the TALF loan program to contract by 60%, to a total outstanding amount of \$1.7 billion in loans, as of May 31, 2021.⁴⁶

In regards to when TALF loans are scheduled to be repaid, every TALF loan matures in 2023.⁴⁷ This introduces risk to the taxpayer as the TALF will be dependent on market conditions in 2023. That said, as noted above, many TALF borrowers elected to prepay TALF loans totaling \$2.7 billion, which were due in 2023, and further prepayments would reduce risk to the taxpayer.⁴⁸

To further mitigate taxpayer risk, TALF has recourse to the ABS collateral securing the loan. TALF annual financial statements note that the fair value of the ABS collateral for each TALF loan is subject to both market and credit risk, arising from movements in variables such as interest rates, credit spreads, and the credit quality of the collateral. Lending haircuts applied to each ABS at the time of the loan was originated provide a further layer of protection against loss, as the loan amount advanced against each ABS was less than the ABS’ value.⁴⁹

The Federal Reserve has indicated that TALF loans are evaluated on a quarterly basis for impairment to determine if the fair value of the collateral is sufficient to repay each loan. Based

⁴³ 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*, Jun. 10, 2021, <https://www.federalreserve.gov/publications/files/pdcf-mmlf-cpff-pmccf-smccf-talf-mlf-ppplf-msnlf-mself-msplf-nonlf-noelf-06-10-21.pdf>.

⁴⁴ 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>.

⁴⁵ SIFMA, *U.S. Asset-Backed Securities Statistics*, Jun. 10, 2021, <https://www.sifma.org/resources/research/us-asset-backed-securities-statistics/>.

⁴⁶ 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*, Jun. 10, 2021, <https://www.federalreserve.gov/publications/files/pdcf-mmlf-cpff-pmccf-smccf-talf-mlf-ppplf-msnlf-mself-msplf-nonlf-noelf-06-10-21.pdf>.

⁴⁷ *Id.*

⁴⁸ *Id.*

⁴⁹ Federal Reserve, *Financial Statements: TALF II LLC, for the period from April 13, 2020 to December 31, 2020*, Mar. 17, 2021, <https://www.federalreserve.gov/aboutthefed/files/talfllcfinstmt2020.pdf>.

on evaluations performed as of December 31, 2020, there were no credit impairments in TALF's holdings.⁵⁰ The fair value of the collateral is publicly disclosed by the Federal Reserve in its periodic reports to Congress on TALF. Relative to the \$1.7 billion in loans outstanding, the total value of the collateral pledged to secure the TALF loans to eligible borrowers was \$2.0 billion as of May 31, 2021.⁵¹

Treasury Loans for National Security Businesses

The national security loan program made 11 loans totaling \$735.9 million.⁵² The \$700 million loan to Yellow made up a substantial portion of the program. The Treasury's loan to Yellow contains two parts (i.e., tranches) that mature on September 30, 2024. The first tranche of \$300 million ("tranche A") has an interest rate of London Inter-bank Offered Rate ("LIBOR") +3.50%. Yellow will use these funds to cover, among other things, healthcare and pension liabilities, real estate and equipment leases, and interest payments on debt. The second tranche of \$400 million ("tranche B") also has an interest rate of LIBOR +3.50%. Yellow will use these funds to finance the purchase of tractors and trailers in accordance with the company's capital expenditures plan that must be submitted to, and approved by, the Treasury.

The full \$300 million of tranche A of the loan was disbursed during 2020 and \$251 million of the \$400 million tranche B has been disbursed as of January 2021.⁵³ Yellow used \$274 million of the tranche A loan proceeds in 2020 and was expected to use the remaining \$26 million in the first quarter of 2021. Yellow used \$72 million of the tranche B proceeds to purchase 300 tractors and 1,200 trailers, and the rest of tranche B loan proceeds are expected to go towards Yellow's \$450 million to \$550 million capital expenditures budget for 2021. Yellow anticipates the rest of tranche B of the loan being disbursed during the first half of 2021.⁵⁴

As additional security for the Treasury's loan to Yellow, the Treasury received 15.9 million shares of Yellow's common stock as consideration.⁵⁵ Based on Yellow's stock price on

⁵⁰ *Id.*

⁵¹ 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*, Jun. 10, 2021, <https://www.federalreserve.gov/publications/files/pdcf-mm1f-cpff-pmccf-smccf-talf-mlf-ppplf-msnlf-mself-msplf-nonlf-noelf-06-10-21.pdf>.

⁵² U.S. Department of the Treasury, *Loans to Air Carriers, Eligible Businesses, and National Security Businesses*, last visited Jun. 28, 2021, <https://home.treasury.gov/policy-issues/cares/preserving-jobs-for-american-industry/loans-to-air-carriers-eligible-businesses-and-national-security-businesses>.

⁵³ Yellow Corporation, *Fourth Quarter 2020 Earnings Call*, Feb. 4, 2021, <https://investors.myyellow.com/events/event-details/ycr-worldwide-4th-quarter-2020-earnings-call>.

⁵⁴ *Id.*

⁵⁵ Yellow Corporation, *2020 Annual Report*, Feb. 11, 2021, <https://investors.myyellow.com/static-files/c7b4a86d-ddd4-444b-80e6-0603b6b5876b> (see "U.S. Treasury Loan").

June 28, 2021, the value of Treasury's common stock position is approximately \$104.6 million.

On May 10, 2021, the Commission sent letters to the Secretary of Defense and the Secretary of the Treasury, requesting additional documents regarding the loan made to Yellow. The Commission has not yet received a response.

Treasury Loans for the Airline Industry

The Treasury's airline industry loan program made 24 loans totaling \$21.2 billion.⁵⁶ The Commission's eleventh report featured an in-depth analysis on the program and offered recommendations related to the program.

⁵⁶ U.S. Department of the Treasury, *Loans to Air Carriers, Eligible Businesses, and National Security Businesses*, last visited Jun. 28, 2021, <https://home.treasury.gov/policy-issues/cares/preserving-jobs-for-american-industry/loans-to-air-carriers-eligible-businesses-and-national-security-businesses>.