The Fed - Considerations regarding the use of the discount window to support economic activity through a funding for lending program

**Author:**Mark Carlson and Rebecca Zarutskie

This paper considers the use of the Federal Reserve’s ability to provide loans to depository institutions under its discount window lending authority in support of achieving its monetary policy objectives through a funding for lending program. Broadly, a funding for lending program could be structured as one in which the Federal Reserve makes ample low-cost funding available to banks or a program in which the Federal Reserve only provides low-cost funding conditional on the banks meeting certain lending targets. We provide a general description of how a funding for lending program could be structured along each of these lines and review important considerations, costs, and benefits of any such program. We also review the literature regarding various lending programs implemented previously in the United States by a variety of agencies and abroad by foreign central banks that shed light on the potential effectiveness of funding for lending programs.

**Url:**<https://www.federalreserve.gov/econres/feds/considerations-regarding-use-of-discount-window-to-support-economic-activity-through-funding-for-lending-program.htm>