Bank Loan Supply Responses to Federal Reserve Emergency Liquidity Facilities

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The Federal Reserve injected unprecedented liquidity into banks during the recent crisis through the discount window and Term Auction Facility. We examine the use and effectiveness of these facilities. We find that they increased bank lending overall, both short- and long-term, and most loan categories. They enhanced lending at expanding banks and reduced declines at contracting banks. Small banks increased small business lending and large banks increased large business lending. Loan quality only improved at small banks, while both large and small banks left loan contract terms unchanged.

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