

## Term Asset-Backed Securities Loan Facility (TALF)

Sponsor: Federal Reserve Bank of New York (FRBNY) and Treasury

### Summary: Funding of Consumer and Small Business ABS

- One-year loans to borrowers purchasing U.S. consumer and small business asset-backed securities (ABS)
- Borrowers must be U.S. persons
- Borrowers must be unaffiliated with the originator of the ABS assets
- Treasury to provide \$20 billion first loss credit support
- Federal Reserve authorized \$200 billion to program
- May be extended to CMBS and private-label RMBS in the future

### Key Information

Announced:  
November 25, 2008

First Auction Date: To be announced

Last Purchase Date:  
December 31, 2009

Watch:  
[www.newyorkfed.org](http://www.newyorkfed.org)

### Structure

- NY Fed will loan borrowers money to invest in consumer and small business ABS
- Loans:
  - One-year maturity, interest due monthly
  - Non-recourse to borrower
  - Offered through monthly, competitive sealed-bid auctions
  - Bid: requires credit request and bid based on spread over OIS
  - Non-recourse loan fee payable on loan closing
  - Haircut on ABS based on price volatility of asset class
- Treasury funds \$20 billion first loss through ownership of subordinated note issued by SPV
- NY Fed holds senior interest in SPV and is repaid first
- Treasury and NY Fed would share any upside
- Obligors required to comply with TARP executive compensation limitations

### Eligible Borrowers

- U.S. persons holding eligible collateral: U.S. citizens, any business entity that is organized under the laws of the United States or a political subdivision or territory thereof, including any entity with a non-U.S. parent and a U.S. branch or agency of a foreign bank
- Borrower cannot have as collateral ABS backed by assets originated by borrower or borrower's affiliate

### Eligible Collateral

- ABS backed by credit cards, auto loans, student loans and small business loans guaranteed by the SBA
- U.S. dollar denominated
- No synthetics or ABS as underlying assets
- All or substantially all underlying assets newly or recently originated

### Executive Compensation

- Applies to senior executive officers (CEO, CFO, top three highest compensated officers)
- Compensation committee to review and certify that no incentive structure for excessive risk taking
- No golden parachute payments for involuntary termination, receivership or bankruptcy
- Claw-back for bonus/incentive payments made based on statements made in investment period later found materially inaccurate
- No tax deduction for compensation in excess of \$500,000

## Mortgage-Related Purchase Programs

Sponsor: Federal Reserve

### Summary: Support GSEs and mortgage market

- Two programs to support Fannie Mae, Freddie Mac and the Federal Home Loan Banks and to support mortgage lending by increasing secondary market liquidity
- Created because spreads on GSE debt and GSE-guaranteed MBS had widened

### Key Dates

Start date GSE obligations:  
week of December 1st

Start date GSE-guaranteed MBS:  
potentially before year end

Duration: "Over several quarters"

### GSE Direct Obligation Purchase Program

- Federal Reserve primary dealers will purchase direct obligations of Fannie Mae, Freddie Mac and FHLBs
- \$100 billion
- Competitive auction process

### Mortgage-backed Asset Purchase Program

- Purchase of MBS guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae
- Fed will hire asset managers to conduct purchases
- \$500 billion
- Program structure to be developed with industry input
- Target launch: before year end