

**Periodic Report Pursuant to Section 129(b) of the
Emergency Economic Stabilization Act of 2008:
Update on Outstanding Lending Facilities Authorized by the Board
Under Section 13(3) of the Federal Reserve Act
May 9, 2014**

Overview

The Board of Governors of the Federal Reserve System ("the Board") is providing the following update concerning the lending facilities established by the Board under section 13(3) of the Federal Reserve Act (12 U.S.C. § 343). This report is filed by the Board pursuant to section 129(b) of the Emergency Economic Stabilization Act of 2008 ("EESA") and provides an update concerning all of the loans and lending facilities authorized by the Board under section 13(3) since March 1, 2008, that are outstanding. The lone remaining such facility with outstanding Federal Reserve loans is the Term Asset-Backed Securities Loan Facility ("TALF").

Term Asset-Backed Securities Loan Facility

On November 25, 2008, the Board and Treasury announced the establishment of the TALF. The TALF was intended to assist financial markets in accommodating the credit needs of consumers and businesses of all sizes by facilitating the issuance of asset-backed securities ("ABS") collateralized by a variety of consumer and business loans; it was also intended to improve market conditions for ABS more generally. These markets have historically been a critical component of lending in the U.S. financial system, but they were virtually shuttered after the worsening of the financial crisis in October 2008. By reopening these markets, the TALF was intended to assist lenders in meeting the borrowing needs of consumers and businesses, helping to stimulate the broader economy.

Under the TALF, the Federal Reserve Bank of New York ("FRBNY") was authorized to provide up to \$200 billion in non-recourse funding to eligible borrowers owning ABS that was eligible to be pledged as collateral under the facility. TALF loans are non-recourse to the borrower, except for breaches of representations, warranties and covenants, as specified in the Master Loan and Security Agreement for the TALF. The non-recourse nature of the loans generally allows borrowers the option of surrendering the collateral to the FRBNY in full satisfaction of the TALF loan. The FRBNY's loan is secured by the ABS collateral, with the

FRBNY lending an amount equal to the market value of the ABS, less a haircut. The haircut is a buffer which protects the FRBNY against a decline in the collateral's value. The Federal Reserve set initial haircuts for each type of eligible collateral to reflect an assessment of the riskiness and maturity of the various types of eligible ABS. If the borrower does not repay the loan, the New York Reserve Bank will enforce its rights in the collateral and sell the collateral to a special purpose vehicle, TALF LLC, established specifically for the purpose of managing such assets.¹

Using funds authorized under the Trouble Asset Relief Program ("TARP"), in March 2009, the Treasury committed to provide \$20 billion in credit protection to the FRBNY in connection with the TALF to support the \$200 billion of authorized lending value under the program. Residual returns from TALF LLC will be shared between the New York Reserve Bank and Treasury. As explained in the February 15, 2013 update, the Treasury's credit support commitment was reduced in 2010 and 2012 due to the declining loan balance. The credit support commitment was ultimately terminated in January 2013 because the accumulated fees and income collected through TALF and held by TALF LLC exceeded the amount of TALF loans outstanding and the commitment was no longer necessary.

The Board has authorized TALF LLC to make distributions from the accumulated fees and income earned by TALF LLC since inception to the Treasury and FRBNY in the amount by which such fees and income earned exceeds the current outstanding TALF loan balance plus funds reserved for future expenses of TALF LLC. Treasury receives 90 percent of the monthly distributions and FRBNY receives 10 percent.² TALF LLC will retain funds in an amount that at all times at least equals the current outstanding TALF loan balance plus funds reserved for future expenses of TALF LLC.

The Federal Reserve has developed and made publicly available extensive information describing the asset classes eligible for funding under the TALF, the structure of the TALF, the manner in which it operates, borrower and collateral eligibility requirements, and the protections that have been put in place to protect against credit losses and fraud. This information – including the detailed terms and conditions governing the facility and Frequently Asked

¹ As of April 30, 2014, TALF LLC had purchased no assets from the FRBNY.

² As of April 30, 2014, TALF LLC had paid a total of \$653.5 million in such distributions.

Questions about the facility – is available at www.newyorkfed.org/markets/talf.html. In addition, data on the specific loan transactions, including the loan amount, interest rate, maturity, borrower name, and collateral, are available on the Board's public website, at www.federalreserve.gov/newsevents/reform_talf.htm.

On June 30, 2010, the Federal Reserve closed the TALF for new loan extensions against newly issued CMBS and, on March 31, 2010, for new loans against all other types of collateral. All TALF loans were extended by the FRBNY and all loans will mature no later than March 30, 2015.

Update

As of April 30, 2014:

- The amount of loans outstanding under the TALF was \$80.9 million;
- The value of the collateral pledged under the TALF was \$99.8 million; and
- The amount of accumulated fees and income earned held by TALF LLC was \$92.2 million.

As of April 30, 2014, all TALF loans were current.

To date, the TALF program has experienced no losses and all outstanding loans are well collateralized. The Board continues to see it as highly unlikely that the Federal Reserve or the taxpayer will incur any net loss on the loans provided by the Federal Reserve under the TALF program.