

## How Investors Access the Term Asset-Backed Securities Loan Facility (TALF)

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### Overview

The Term Asset-Backed Securities Loan Facility (TALF) is a funding facility through which the FRBNY extends three-year or, in certain cases, five-year, non-recourse loans to private investors. The loans are collateralized by certain types of asset-backed securities (ABS) that have been deemed eligible for the program. The facility is intended to make credit available to consumers and businesses by supporting the issuance of ABS and improving the market conditions for ABS more generally.

Under the TALF program, private investors put up a measure of risk capital (either as a collateral “haircut” or in some cases, cash margin) to receive financing for eligible ABS from the Federal Reserve. The ABS, in turn, will fund a wide range of consumer and business lending. The non-recourse nature of the loan from the Federal Reserve limits the investor’s potential loss to the initial capital the investor put up to receive the loan.

### Eligible Borrowers and Necessary Collateral

TALF loans are available to a broad base of investors, with the intention that an inclusive program enhances demand for eligible ABS and ultimately supports more favorable credit conditions for U.S. households and businesses. Any U.S. company that owns ABS collateral that is eligible for the program and maintains a relationship with one of the program’s TALF Agents may borrow from the TALF.

In addition, the investor must put up its own risk capital to maintain an economic stake in the transaction. This capital, typically referred to as a “haircut,” represents the difference between the value of the collateral pledged and the dollar amount of the loan. Currently, the minimum TALF loan size is \$10 million and the minimum haircut is 5 percent (or \$500,000).

### Rates and Fees

The interest rate charged by the FRBNY on TALF loans will be set forth in the program terms and conditions. In addition, the FRBNY will assess an administrative fee equal to 10 basis points of the loan amount for non-mortgage-backed ABS collateral, and 20 basis points for commercial mortgage-backed pass-through securities (CMBS), to cover expenses.

### Accessing TALF through an Agent of the Program

Investors access TALF loans through an account relationship with a “TALF Agent.” TALF Agents are primary dealers, who serve as the Federal Reserve’s trading counterparties in the execution of U.S. monetary policy, as well as other dealers who have been specially designated by the New York Fed for this role in support of TALF. The TALF Agents’ role is to serve as agents on behalf of their customers, the TALF borrowers. Accordingly, TALF loans are to the end investors, not the TALF Agent.

In order to provide these services, potential borrowers must establish an account relationship with a TALF Agent. Consistent with any other financial customer relationship, the investor may be required to provide the Agent with information relevant to the Agent’s “Know Your Customer” (KYC) program or other additional information, including tax documents relevant to the principal and interest disbursements or background materials for credit assessments. In order to participate specifically in the TALF program, the TALF Agent will ask the customer to execute a customer agreement, based on basic guidelines provided in the FRBNY’s Master Loan and Security Agreement (MLSA). Each Agent will be able to provide a more detailed agreement used by that firm.

While a borrower must act through a single TALF Agent for a single loan, there is no requirement that a borrower uses a single TALF Agent for all of its TALF borrowings.

### Subscribing for a TALF Loan

Subscriptions for TALF loans are conducted on a monthly basis and are announced on the FRBNY's public website. In order to obtain a loan:

- The borrower must acquire eligible ABS collateral and be able to deliver it (or arrange for the delivery of it) to the FRBNY's TALF custodian by the loan's closing date. The borrower must notify its TALF Agent of various details about its loan request, including the amount of the loan request, loan type (fixed-rate or floating-rate), and identifying information for the ABS collateral (such as the CUSIP) prior to the subscription window announced by the FRBNY for each operation.
- Prior to the loan's closing date, the borrower must provide (or arrange to provide) the TALF Agent with the administrative fee assessed by the FRBNY and any applicable margin. The final confirmation of these amounts will come from the FRBNY's custodian.

The borrower must maintain its relationship with the TALF Agent, in order for the Agent to, among other things, distribute routine principal and interest payments to the borrower until the loan matures, or make repayments or prepayments, or surrender the borrower's rights to the collateral in lieu of repayment of the loan. Each of these responsibilities is executed at the direction and on behalf of the borrower. In the event of the latter, the borrower forfeits the collateral as well as the initial risk capital that was put up.

### **Additional Information**

The description contained in this document is an overview and is qualified in its entirety by the more detailed information contained in the Terms and Conditions, Frequently Asked Questions (FAQS), legal documentation, and subscription and other announcements relating to the TALF program at: <http://www.newyorkfed.org/markets/talf.html>.

For the current list of Eligible TALF Agents, please see:

[http://www.newyorkfed.org/markets/TALF\\_Agents.html](http://www.newyorkfed.org/markets/TALF_Agents.html).

For contact information for each TALF Agent, please see:

[http://www.newyorkfed.org/markets/Contacts\\_TALF\\_Agents.html](http://www.newyorkfed.org/markets/Contacts_TALF_Agents.html)

Should you have any questions about how to access the TALF, please contact the New York Fed at [talf@ny.frb.org](mailto:talf@ny.frb.org). For general inquiries, you may call (212) 720-6130.