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

Overview

The Term Asset-Backed Securities Loan Facility (TALF) is a funding facility through which the FRBNY extends three-year, non-recourse loans to private investors. The loans are collateralized by certain types of consumer- and small business-related asset-backed securities (ABS) that have been deemed eligible for the program. The facility is designed to help market participants meet the credit needs of households and small businesses by supporting the issuance of those ABS.

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, fund a wide range of consumer and small 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 small 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 agents (currently the primary dealers) 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 entails a 50 or 100 basis point spread (depending on the collateral type) over the London Interbank Offer Rate (Libor) for floating-rate loans and 100 basis point spread over the Libor swap rate for fixed-rate loans. In addition, the FRBNY will assess an administrative fee equal to 5 basis points of the loan amount to cover expenses.

Accessing TALF through an Agent of the Program

Investors access TALF loans through an account relationship with an agent for the TALF program, currently the 16 "primary dealers" that serve as the Federal Reserve's trading counterparties in the execution of U.S. monetary policy. Unlike the primary dealers' role in other Federal Reserve operations, in supporting the TALF, the primary dealers' role is to serve as agents on behalf of their customers, the TALF borrowers. Accordingly, TALF loans are to the end investors, not the primary dealers.

In order to provide these services, potential borrowers must establish an account relationship with a primary dealer. Consistent with any other financial customer relationship, the investor may be required to provide the dealer with information relevant to the dealer'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 primary dealer 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 dealer will be able to provide a more detailed agreement used by that firm.

While a borrower must act through a single primary dealer for a single loan, there is no requirement that a borrower uses a single primary dealer 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 may obtain the ABS either by receiving an allocation of a new issue at primary issuance or by buying the security in the secondary market.
- The borrower must notify its primary dealer 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 primary dealer 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 primary dealer, in order for the dealer 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

For more information about the TALF program, including detailed Terms and Conditions, Frequently Asked Questions (FAQS), legal documentation, and subscription and other announcements, please see: http://www.newyorkfed.org/markets/talf.html.

For the current list of primary dealers, please see:
http://newyorkfed.org/markets/primarydealers.html

Contact information for each dealer relating to the TALF program is provided in the Appendix.

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

Appendix

Primary Dealer Contacts for the TALF Program		
Name	**Phone**	**E-mail**
Bank of America Securities		
Brian Kane	646-855-9095	brian.f.kane@bankofamerica.com
Barclays		
Chris Leslie	212-412-1170	Chris.Leslie@barcap.com
BNP		
Lara Hernandez	212-841-3457	lara.hernandez@americas.bnpparibas.com
Cantor		
George Smith	212-829-5290	GESmith@cantor.com
Citi		
Michael Haynes	212-723-9517	michael.p.hynes@citi.com
Ish McLaughlin	212-723-6171	ish.mclaughlin@citi.com
Credit Suisse		
Tricia Hazelwood	212-325-9278	tricia.hazelwood@credit-suisse.com
Daiwa		
Kevin McCabe	212-612-6540	Kevin.mccabe@daiwausa.com
Ray Remy	212-612-6800	ray.remy@daiwausa.com
Deutsche Bank		
Randall Outlaw	212-250-7730	randall.outlaw@db.com
Dresdner		
Tom Roth	212-895-1905	tom.roth@dkib.com
Goldman Sachs		
Rob Camacho	212-902-9708	Robert.Camacho@gs.com
Breanne Malloy	212-902-9708	Breanne.Malloy@gs.com
HSBC		
Michael Banchik	212-525-3399	michael.banchik@us.hsbc.com
JP Morgan		
Andrew Cherna	212-834-4154	andy.cherna@jpmorgan.com
Mizuho		
Mark Cartier	212-984-3120	mark.cartier@us.mizuho-sc.com
Patrick Fay	212-209-9455	patrick.fay@us.mizuho-sc.com
Morgan Stanley		
John Ryan	212-761-2402	John.Ryan@morganstanley.com
RBS		
Scott Eichel	203-625-6160	scott.eichel@rbs.com
Daniel McGarvey	203-618-6217	Daniel.McGarvey@rbs.com
UBS		
Richard Onkey	212-713-9891	richard.onkey@ubs.com
Bryan Scarfone	203-719-7870	bryan.scarfone@ubs.com