



Federal Reserve Extends Term Asset-Backed Securities Loan Facility

On August 17, 2009, the Federal Reserve Board of Governors (the “Federal Reserve”) and the Treasury Department announced the approval of the extension of the Term Asset-Backed Securities Loan Facility (“TALF”). The Federal Reserve originally announced the creation of TALF on November 25, 2008, and since that time has published revised terms and conditions in response to feedback from participants in the ABS industry.¹ TALF was designed and modified to stimulate the lending markets by providing financing to investors who purchase certain qualifying asset-backed securities (“ABS”) in an effort to promote the flow of credit to businesses and households and to facilitate the financing of commercial properties.²

Noting that the markets for ABS backed by consumer and business loans and for commercial mortgage-backed securities (“CMBS”) remain impaired and appear likely to remain so for some time, the approval extends TALF loans against newly issued ABS and legacy CMBS through March 31, 2010 and against newly issued CMBS through June 30, 2010. This later date was approved for new CMBS due to the length of time it takes to arrange these types of transactions. The Federal Reserve and Treasury had previously authorized TALF loans through December 31, 2009.

While indicating that conditions in financial markets have improved considerably in recent months and their willingness to react to market and economic developments, the Federal Reserve and the Treasury also announced that they do not anticipate any further expansion of the types of collateral that are eligible for TALF. The securities already eligible for collateralizing TALF loans include the major types of newly issued, triple-A-rated ABS backed by loans to consumers and businesses, and newly issued and legacy triple-A-rated CMBS.

The extension of the TALF program’s tenor should be viewed favorably by market participants; although it is also an acknowledgment of the continued challenges in the ABS and, in particular, CMBS markets. Extension of the TALF program should help secondary market liquidity for both investors with existing TALF loans as well as investors seeking TALF loans for new ABS and CMBS issuance. Undoubtedly, certain market participants will be disappointed in the Federal Reserve’s unwillingness to extend the program to other asset classes, but the current extension should provide some level of optimism at a critical time for securitization and the TALF program and the economy generally.

¹ Please see our previous client briefings on TALF; [Summary](#), [Update 1](#), [Update 2](#), [Update 3](#), [Update 4](#) and [Update 5](#).

² The Federal Reserve has published updated versions of the terms and conditions (see http://www.newyorkfed.org/markets/talf_terms.html), frequently asked questions (see http://www.newyorkfed.org/markets/talf_faq.html) and a white paper describing TALF (see http://www.ustreas.gov/press/releases/reports/talf_white_paper.pdf).

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