Chapman Client Alert

April 9, 2020
(Updating a March 24, 2020 Client Alert)

Current Issues Relevant to Our Clients

Expanded Term Asset-Backed Loan Facility 2020

On March 23, 2020, the Board of Governors of the Federal Reserve System (Federal Reserve) announced the establishment of the Term Asset-Backed Securities Loan Facility (TALF 2020) to support the flow of credit to consumers and businesses. Although it did not provide many details about TALF 2020, it noted that TALF 2020 is primarily based on the terms and conditions of the Term Asset-Backed Securities Loan Facility used during the 2007-09 financial crisis (TALF 2009). In connection with the announcement of TALF 2020, the Federal Reserve provided a brief term sheet for TALF 2020 and promised to provide more detailed terms and conditions at a later date. On April 9, 2020, the Federal Reserve released a revised term sheet for TALF 2020[1] that, among other things, broadens the range of assets that qualify as eligible collateral under the program. In the updated term sheet, the Federal Reserve continued its promise to provide more detailed terms and conditions at a later date. In the release announcing the updates, the Federal Reserve also reiterated that it "remains committed to using its full range of tools to support the follow of credit to households and businesses to counter the economic impact of the coronavirus pandemic and promote a swift recovery once the disruptions abate." The following questions and answers describe the major features of TALF 2020 as it has been modified as of April 9, 2020.

What is TALF 2020?

TALF 2020 is a Federal Reserve credit facility authorized under Section 13(3) of the Federal Reserve Act. As noted above, it is intended to help meet the credit needs of consumers and businesses by facilitating the issuance of asset-backed securities (ABS) and improving the market conditions for ABS more generally. TALF 2020 will serve as a funding backstop to facilitate the issuance of eligible ABS on or after March 23, 2020. Under the program, the Federal Reserve Bank of New York (FRBNY) will commit to lend to a special purpose vehicle on a recourse basis. The U.S. Treasury Department will utilize the Exchange Stabilization Fund to make a $10 billion equity investment in that special purpose vehicle.

Initially, TALF 2020 will make available up to $100 billion in loans. These loans will have a term of three (3) years and will be fully secured by the related eligible ABS. They also will be made on a non-recourse basis to the borrower, so long as all of the program's requirements are met. New credit extensions will **not** be made after September 30, 2020, unless that date is extended by the Federal Reserve and the U.S. Treasury Department.

What is the History of the TALF Program?

During the 2007-09 financial crisis, the Federal Reserve utilized TALF 2009 for the same broad purposes, and under the same general terms and conditions, as TALF 2020.

The Federal Reserve announced TALF 2009 on November 25, 2008 and began lending operations in March 2009. Lending under TALF 2009 was authorized through March 2010 for most loans collateralized by eligible collateral (and June 2010 for loans collateralized by newly issued commercial mortgage-backed securities). At its peak on March 17, 2010, $48.2 billion in TALF 2009 loans were outstanding and, on October 29, 2014, the last loan was repaid and the facility was closed. All TALF 2009 loans were repaid with interest over the life of the program.

Under TALF 2009, the FRBNY provided non-recourse funding to eligible borrowers owning eligible collateral. On a specified date each month, borrowers were able to request one or more three-year loans from the program. Loan proceeds were disbursed to the borrower, contingent on receipt by the FRBNY's custodian bank of the eligible collateral, an administrative fee, and, if applicable, margin. If the borrower did not repay the loan, the FRBNY enforced its rights in the collateral and sold the collateral to a special purpose vehicle established specifically for the purpose of managing those assets. In the event of a loss, the U.S. Treasury Department provided credit protection to TALF 2009. In connection with TALF 2009 lending, the FRBNY published standard loan documentation for borrowers to use, copies of which are still available at www.newyorkfed.org.

Who Can Borrow under TALF 2020?

All U.S. companies that own eligible collateral (as discussed below) and maintain an account relationship with a primary dealer are eligible to borrow under the new TALF program. As provided in the revised TALF 2020 term sheet, the Federal Reserve defines "U.S. company" as a business that is created or organized in the United States or under the laws of the United States and that has significant operations in, and a majority of its employees based in, the United States.

We note that the Federal Reserve updated this definition in the revised TALF 2020 term sheet. This updated definition no longer includes entities with a non-U.S. parent company or U.S. branches or agencies of a foreign bank. In addition, there is a requirement that the business must have significant operations in the United States and a majority of its employees must be based here.

What Collateral is Eligible to Be Pledged under TALF 2020?

The eligible collateral under TALF 2020 is very similar to the eligible collateral under TALF 2009. Specifically, it must:

- be U.S. dollar-denominated ABS;
- not be a synthetic ABS;
- satisfy certain ratings requirements (see below);
- except in the case of legacy commercial mortgage-backed securities (CMBS), be issued on or after March 23, 2020 (the date when TALF 2020 was established);
- in the case of CMBS, be issued **before** March 23, 2020 and the underlying credit exposures must be to real property located in the United States or one of its territories; and
- not bear interest payments that step up or step down to predetermined levels on specific dates.

In addition, there are requirements for the credit exposures underlying the ABS, including that:

- "all or substantially all" of the credit exposures must have been originated by a U.S. company and, except for legacy CMBS, must be "newly issued";
- the issuer of the eligible collateral must be a U.S. company;
- the credit exposures cannot include exposures that are themselves cash ABS or synthetic ABS; and
- the credit exposures must be in one of the following nine (9) asset classes:

  (i) auto loans and leases,

  (ii) student loans,

  (iii) consumer and corporate credit card receivables,

  (iv) equipment loans and leases,

  (v) floorplan loans,

  (vi) insurance premium finance loans,

  (vii) certain small business loans that are guaranteed by the Small Business Administration,

  (viii) leveraged loans (static pool only), or

  (ix) commercial mortgages.

In the revised TALF 2020 term sheet, the Federal Reserve made the following changes to what constitutes eligible collateral:

- added "equipment leases" in addition to equipment loans
- added "leveraged loans" and "commercial mortgages"
- removed "eligible servicing advance receivables"

Further, the revised term sheet expressly provides that the following will ***not*** constitute eligible collateral for a TALF 2020 loan:

- single asset, single borrower CMBS
- commercial real estate collateralized loan obligations

The Federal Reserve continues to note that "[t]he feasibility of adding other asset classes to the facility or expanding the scope of existing asset classes will be considered in the future" and that the detailed terms and conditions will further define the eligible underlying credit exposures for purposes of TALF 2020.

What Are the Ratings Requirements for the Eligible Collateral Securing the TALF 2020 Loans?

The ABS securing TALF 2020 loans must have a credit rating in the highest long-term or, in the case of non-mortgage-backed ABS, the highest short-term investment grade rating category from at least two (2) eligible nationally recognized rating agencies (NRSROs). In addition, the ABS must not have a credit rating below the highest investment grade rating category from an eligible NRSRO. The current term sheet does not specify which NRSROs are "eligible".

How Much Collateral Must Be Pledged and Maintained to Secure a TALF 2020 Loan?

Under the term sheet, eligible collateral that is pledged for a TALF 2020 loan will be valued and assigned a haircut according to the schedule available as Attachment I. This schedule is consistent with the one used for TALF 2009. The term sheet did not include any other information about collateral requirements.

What is the Term of a TALF 2020 Loan and Can It Be Repaid?

Each TALF 2020 loan will have a three (3) year term. A TALF 2020 loan will be prepayable, in whole or in part, at the borrower's option. We note, though, that substitution of collateral during the term of the TALF 2020 loan generally will not be allowed.

What is the Pricing for a TALF 2020 Loan?

The revised term sheet provides updated pricing for TALF 2020 loans collateralized by certain types of ABS.

For leveraged loans, the interest rate will be 150 basis points over the 30-day average secured overnight financing rate (SOFR).

For SBA Pool Certificates (7(a) loans),[2] the interest rate will be the top of the federal funds target range plus 75 basis points. For SBA Development Company Participation Certificates (504 loans), the interest rate will be the three-year federal funds overnight index swap (OIS) rate plus 75 basis points.

The interest rate for TALF 2020 loans collateralized by all other eligible ABS whose underlying credit exposures do not have a government guarantee is:

- 125 basis points over the two-year OIS rate, for securities with a weighted average life less than two (2) years; or
- 125 basis points over the three-year OIS rate, for securities with a weighted average life of two (2) years or greater.

We note that the original TALF 2020 term sheet provided for ***100*** basis points over the two-year and three-year ***LIBOR swap*** rate, respectively.

The pricing for TALF 2020 loans collateralized by any other eligible ABS will be set forth in the forthcoming detailed terms and conditions.

The borrower will also owe an administrative fee equal to 10 basis points of the amount of each TALF 2020 loan it receives.

Do the Conflict of Interest Provisions in the CARES Act Apply to TALF 2020 Loans?

Yes. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) became law. In general, Section 4019 of the CARES Act prohibits businesses owned, directly or indirectly, by the President, senior federal executives, or members of Congress (and certain immediate family members of all of the foregoing) from receiving relief funds under the CARES Act.

Eligible borrowers and issuers of eligible collateral that are owned, directly or indirectly, by a covered individual are subject to the restrictions in Section 4019 of the CARES Act. Depending on the size of that covered individual's ownership interest, such eligible borrowers or issuers may not be able to participate in TALF 2020.

What Are the Procedures for Obtaining a TALF 2020 Loan?

The Federal Reserve provided little detail about the procedures for obtaining loans under TALF 2020, but did promise the issuance of more detailed terms and conditions. Generally, TALF 2020 is expected to have similar procedures to TALF 2009.

In TALF 2009, loan requests were accepted on a specified day each month, and monthly loan closings occurred approximately a week later for all loans in compliance with program requirements.

In TALF 2009, loans were made by the FRBNY to eligible borrowers only through primary dealers (subject to qualifying customer agreements between borrowers and dealers). Primary dealers were responsible for collecting loan requests, documentation and fees from borrowers, performing due diligence on borrowers and collateral, administering the pledge of collateral, and distributing funds to borrowers. Standardized forms of loan documents were required and the accountants for the sponsors of the pledged asset-backed securities were required to attest to the eligibility of the collateral.

What is the Status of the TALF 2020 Program and the Possibility of Expanding Its Coverage?

As mentioned above, in its TALF 2020 announcement, the Federal Reserve stated that TALF 2020 would be "primarily based off the terms and conditions" used for TALF 2009, but reserved the right to modify TALF 2020 in a manner "consistent with the policy objectives of the TALF."

Market participants and industry groups applauded the initial announcement of TALF 2020. Since then, they have engaged with the Federal Reserve to recommend changes to TALF 2020 by demonstrating that certain features of TALF 2009 (on which TALF 2020 is based) do not adequately address the unique economic and life disruptions caused by the COVID-19 pandemic or give effect to the significant changes that have occurred in the credit markets since the 2007-09 financial crisis.

The revisions to TALF 2020 evidence that the Federal Reserve is receptive to certain expansions of the program. We understand that such market participants and industry groups will continue to advocate for more flexible features for TALF 2020. We will be monitoring the Federal Reserve's response to this advocacy and will advise you as to additional changes made to the TALF 2020 program.

For More Information

If you would like further information concerning the matters discussed in this article, please contact the Chapman attorney with whom you regularly work.

1 See https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200409a1.pdf. For your reference, Attachment II is the revised TALF 2020 term sheet, marked to show changes from the term sheet released on March 23, 2020.

2 It remains unclear from the revised TALF 2020 term sheet whether loans made under the SBA's Paycheck Protection Program (PPP), under the authority of Section 7(a) of the Small Business Act, are included as eligible collateral for purposes of TALF 2020. However, on April 9, 2020, the Federal Reserve announced the Paycheck Protection Program Lending Facility, which is a separate lending facility dedicated to funding PPP loans, so it is possible that PPP loans are not intended to be included as eligible collateral. See https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200409a6.pdf.

Term Asset-Backed Securities Loan Facility

Effective April 9, 2020[1]

Facility: The TALF is a credit facility authorized under section 13(3) of the Federal Reserve Act intended to help meet the credit needs of consumers and businesses by facilitating the issuance of asset-backed securities ("ABS") and improving the market conditions for ABS more generally. The TALF will serve as a funding backstop to facilitate the issuance of eligible ABS on or after March 23, 2020.

Under the TALF, the Federal Reserve Bank of New York ("Reserve Bank") will commit to lend to a special purpose vehicle ("SPV") on a recourse basis. The Department of the Treasury will make an equity investment of $10 billion in the SPV, as described below.

The TALF SPV initially will make up to $100 billion of loans available. The loans will have a term of three years; will be nonrecourse to the borrower; and will be fully secured by eligible ABS.

Eligible Borrowers: All U.S. companies that own eligible collateral and maintain an account relationship with a primary dealer are eligible to borrow under the TALF. For the purpose of this document, a U.S. company is defined as a business that is created or organized in the United States or under the laws of the United States and that has significant operations in and a majority of its employees based in the United States.

Eligible Collateral: Eligible collateral includes U.S. dollar denominated cash (that is, not synthetic) ABS that have a credit rating in the highest long-term or, in the case of non-mortgage backed ABS, the highest short-term investment-grade rating category from at least two eligible nationally recognized statistical rating organizations ("NRSROs") and do not have a credit rating below the highest investment-grade rating category from an eligible NRSRO. All or substantially all of the credit exposures underlying eligible ABS must have been originated by a U.S. company, and the issuer of eligible collateral must be a U.S. company. With the exception of commercial mortgage-backed securities ("CMBS"), eligible ABS must be issued on or after March 23, 2020. CMBS issued on or after March 23, 2020, will not be eligible. For CMBS, the underlying credit exposures must be to real property located in the United States or one of its territories.

Eligible collateral must be ABS where the underlying credit exposures are one of the following:

1) Auto loans and leases;
2) Student loans;
3) Credit card receivables (both consumer and corporate);
4) Equipment loans and leases;
5) Floorplan loans;
6) Insurance premium finance loans;
7) Certain small business loans that are guaranteed by the Small Business Administration;
8) Leveraged loans; or
9) Commercial mortgages.[2]

Eligible collateral will not include ABS that bear interest payments that step up or step down to predetermined levels on specific dates. In addition, the underlying credit exposures of eligible collateral must not include exposures that are themselves cash ABS or synthetic ABS.

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[1] The Board of Governors of the Federal Reserve System ("Board") and Secretary of the Treasury may make adjustments to the terms and conditions described in this term sheet. Any changes will be announced on the Board's website.

[2] The detailed terms and conditions will further define the eligible underlying credit exposures for purposes of the TALF. The definitions are expected to be broadly consistent with the defined terms used for purposes of the TALF established in 2008.

To be eligible collateral, all or substantially all of the underlying credit exposures must be newly issued, except for legacy CMBS.

The feasibility of adding other asset classes to the facility or expanding the scope of existing asset classes will be considered in the future.

Conflicts of interest: Eligible borrowers and issuers of eligible collateral will be subject to the conflicts of interest requirements of section 4019 of the CARES Act.

Restriction on single-asset single-borrower ("SASB") CMBS and commercial real estate collateralized loan obligations ("CRE CLOs"): SASB CMBS and CRE CLOs will not be eligible collateral.

Restrictions on CLO loan substitution: Only static CLOs will be eligible collateral.

Collateral Valuation: Haircut schedule is below. The haircut schedule is consistent with the haircut scheduled used for the TALF established in 2008.

Pricing: For CLOs, the interest rate will be 150 basis points over the 30-day average secured overnight financing rate ("SOFR"). For SBA Pool Certificates (7(a) loans), the interest rate will be the top of the federal funds target range plus 75 basis points. For SBA Development Company Participation Certificates (504 loans), the interest rate will be 75 basis points over the 3-year fed funds overnight index swap ("OIS") rate.

For all other eligible ABS with underlying credit exposures that do not have a government guarantee, the interest rate will be 125 basis points over the 2-year OIS rate for securities with a weighted average life less than two years, or 125 basis points over the 3-year OIS rate for securities with a weighted average life of two years or greater. The pricing for other eligible ABS will be set forth in the detailed terms and conditions.

Fees: The SPV will assess an administrative fee equal to 10 basis points of the loan amount on the settlement date for collateral.

Maturity: Each loan provided under this facility will have a maturity of three years.

Investment by the Department of the Treasury: The Department of the Treasury, using the Exchange Stabilization Fund, will make an equity investment of $10 billion in the SPV.

Non-Recourse: Loans made under the TALF are made without recourse to the borrower, provided the requirements of the TALF are met.

Prepayment: Loans made under the TALF will be pre-payable in whole or in part at the option of the borrower, but substitution of collateral during the term of the loan generally will not be allowed.

Program Termination: No new credit extensions will be made after September 30, 2020, unless the TALF is extended by the Board of Governors of the Federal Reserve System and the Department of the Treasury.

Other Terms and Conditions: More detailed terms and conditions will be provided at a later date, primarily based off of the terms and conditions used for the 2008 TALF. In addition, the Federal Reserve reserves the right to review and make adjustments to these terms and conditions – including size of program, pricing, loan maturity, collateral haircuts, and asset and borrower eligibility requirements – consistent with the policy objectives of the TALF.

Haircut Schedule:

Sector	Subsector	ABS Average Life (years)* 0-<1	1-<2	2-<3	3-<4	4-<5	5-<6	6-<7
Auto	Prime retail lease	10%	11%	12%	13%	14%		
Auto	Prime retail loan	6%	7%	8%	9%	10%		
Auto	Subprime retail loan	9%	10%	11%	12%	13%		
Auto	Motorcycle/ other recreational vehicles	7%	8%	9%	10%	11%		
Auto	Commercial and government fleets	9%	10%	11%	12%	13%		
Auto	Rental fleets	12%	13%	14%	15%	16%		
Credit Card	Prime	5%	5%	6%	7%	8%		
Credit Card	Subprime	6%	7%	8%	9%	10%		
Equipment	Loans and Leases	5%	6%	7%	8%	9%		
Floorplan	Auto	12%	13%	14%	15%	16%		
Floorplan	Non-Auto	11%	12%	13%	14%	15%		
Premium Finance	Property and casualty	5%	6%	7%	8%	9%		
Small Business	SBA Loans	5%	5%	5%	5%	5%	6%	6%
Student Loan	Private	8%	9%	10%	11%	12%	13%	14%
Leveraged Loans	Static	20%	20%	20%	20%	20%	21%	22%
Commercial Mortgages	Legacy, Conduit	15%	15%	15%	15%	15%	16%	17%

* For auto, credit card, equipment, floorplan, and premium finance ABS, the weighted average life must be five years or less. For other new-issue eligible collateral, haircuts will increase by one percentage point for each additional year (or portion thereof) of average life beyond five years. For legacy CMBS with average lives beyond five years, base dollar haircuts will increase by one percentage point of par for each additional year (or portion thereof) of average life beyond five years. No securitization may have an average life beyond ten years.

Term Asset-Backed Securities Loan Facility

Effective April 9, 2020[1]

Facility: The TALF is a credit facility authorized under section 13(3) of the Federal Reserve Act intended to help meet the credit needs of consumers and ~~small~~ businesses by facilitating the issuance of asset-backed securities ("ABS") and improving the market conditions for ABS more generally. The TALF will serve as a funding backstop to facilitate the issuance of eligible ABS on or after March 23, 2020.

Under the TALF, the Federal Reserve Bank of New York ("Reserve Bank") will commit to lend to a special purpose vehicle ("SPV") on a recourse basis. The Department of the Treasury will make an equity investment of $10 billion in the SPV ~~in connection with the Facility~~, as described below.

The TALF SPV initially will make up to $100 billion of loans available. The loans will have a term of three years; will be nonrecourse to the borrower; and will be fully secured by eligible ABS.

Eligible Borrowers: All U.S. companies that own eligible collateral and maintain an account relationship with a primary dealer are eligible to borrow under the TALF. ~~A~~For the purpose of this document, a U.S. company ~~would be~~is defined as a ~~U.S.~~ business ~~entity~~that is created or organized in the United States or under the laws of the United States ~~or a political subdivision or territory thereof (including such an entity that has a non-U.S. parent company), or a U.S. branch or agency of a foreign bank~~and that has significant operations in and a majority of its employees based in the United States.

Eligible Collateral: Eligible collateral includes U.S. dollar denominated cash (that is, not synthetic) ABS that have a credit rating in the highest long-term or, in the case of non-mortgage backed ABS, the highest short-term investment-grade rating category from at least two eligible nationally recognized statistical rating organizations ("NRSROs") and do not have a credit rating below the highest investment-grade rating category from an eligible NRSRO. All or substantially all of the credit exposures underlying eligible ABS must have been originated by a U.S. company~~. Eligible~~, and the issuer of eligible collateral must be a U.S. company. With the exception of commercial mortgage-backed securities ("CMBS"), eligible ABS must be issued on or after March 23, 2020. CMBS issued on or after March 23, 2020, will not be eligible. For CMBS, the underlying credit exposures must be to real property located in the United States or one of its territories.

Eligible collateral must be ABS where the underlying credit exposures are one of the following:

1) Auto loans and leases;
2) Student loans;
3) Credit card receivables (both consumer and corporate);
4) Equipment loans and leases;
5) Floorplan loans;
6) Insurance premium finance loans;
7) Certain small business loans that are guaranteed by the Small Business Administration;
8) Leveraged loans; or
9) ~~8)Eligible servicing advance receivables.~~~~[1]~~Commercial mortgages.[2]

Eligible collateral will not include ABS that bear interest payments that step up or step down to predetermined levels on specific dates. In addition, the underlying credit exposures of eligible collateral must not include exposures that are themselves cash ABS or synthetic ABS.

To be eligible collateral, all or substantially all of the underlying credit exposures must be newly issued,

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[1] The Board of Governors of the Federal Reserve System ("Board") and Secretary of the Treasury may make adjustments to the terms and conditions described in this term sheet. Any changes will be announced on the Board's website.

1) ~~[1]~~[2] The detailed terms and conditions will further define the eligible underlying credit exposures for purposes of the TALF. The definitions are expected to be broadly consistent with the defined terms used for purposes of the TALF established in 2008.

except for legacy CMBS.~~-~~

The feasibility of adding other asset classes to the facility or expanding the scope of existing asset classes will be considered in the future.

Conflicts of interest: Eligible borrowers and issuers of eligible collateral will be subject to the conflicts of interest requirements of section 4019 of the CARES Act.

Restriction on single-asset single-borrower (“SASB”) CMBS and commercial real estate collateralized loan obligations (“CRE CLOs”): SASB CMBS and CRE CLOs will not be eligible collateral.

Restrictions on CLO loan substitution: Only static CLOs will be eligible collateral.

Collateral Valuation: Haircut schedule is below. The ~~pledged eligible collateral will be valued and assigned a~~ haircut ~~according to a~~ schedule ~~based on its sector, the weighted average life, and historical volatility of the ABS. This haircut schedule will be published in the detailed terms and conditions and will be roughly in line~~is consistent with the haircut ~~schedule~~scheduled used for the TALF ~~Facility~~ established in 2008.

~~**Pricing**: For~~**Pricing**: For CLOs, the interest rate will be 150 basis points over the 30-day average secured overnight financing rate (“SOFR”). For SBA Pool Certificates (7(a) loans), the interest rate will be the top of the federal funds target range plus 75 basis points. For SBA Development Company Participation Certificates (504 loans), the interest rate will be 75 basis points over the 3-year fed funds overnight index swap (“OIS”) rate.

For all other eligible ABS with underlying credit exposures that do not have a government guarantee, the interest rate will be ~~100~~125 basis points over the 2-year ~~LIBOR swap~~OIS rate for securities with a weighted average life less than two years, or ~~100~~125 basis points over the 3-year ~~LIBOR swap~~OIS rate for securities with a weighted average life of two years or greater.[2] The pricing for other eligible ABS will be set forth in the detailed terms and conditions.

Fees: The SPV will assess an administrative fee equal to 10 basis points of the loan amount on the settlement date for collateral.

Maturity: Each loan provided under this facility will have a maturity of three years.

Investment by the Department of the Treasury: The Department of the Treasury, using the Exchange Stabilization Fund, will make an ~~initial~~ equity investment of $10 billion in the SPV.

Non-Recourse: Loans made under the TALF are made without recourse to the borrower, provided the requirements of the TALF are met.

Prepayment: Loans made under the TALF will be pre-payable in whole or in part at the option of the borrower, but substitution of collateral during the term of the loan generally will not be allowed.

Program Termination: No new credit extensions will be made after September 30, 2020, unless the TALF is extended by the Board of Governors of the Federal Reserve System and the Department of the Treasury.

Other Terms and Conditions: More detailed terms and conditions will be provided at a later date, primarily based off of the terms and conditions used for the 2008 TALF. In addition, the Federal Reserve reserves the right to review and make adjustments to these terms and conditions – including size of program, pricing, loan maturity, collateral haircuts, and asset and borrower eligibility requirements – consistent with the policy objectives of the TALF.

Haircut Schedule:

		ABS Average Life (years)*						
Sector	**Subsector**	**0-<1**	**1-<2**	**2-<3**	**3-<4**	**4-<5**	**5-<6**	**6-<7**
Auto	Prime retail lease	10%	11%	12%	13%	14%		
Auto	Prime retail loan	6%	7%	8%	9%	10%		

~~2 If necessary, the pricing structure would be updated to account for the expected industry transition away from LIBOR.~~

Auto	Subprime retail loan	9%	10%	11%	12%	13%		
Auto	Motorcycle/ other recreational vehicles	7%	8%	9%	10%	11%		
Auto	Commercial and government fleets	9%	10%	11%	12%	13%		
Auto	Rental fleets	12%	13%	14%	15%	16%		
Credit Card	Prime	5%	5%	6%	7%	8%		
Credit Card	Subprime	6%	7%	8%	9%	10%		
Equipment	Loans and Leases	5%	6%	7%	8%	9%		
Floorplan	Auto	12%	13%	14%	15%	16%		
Floorplan	Non-Auto	11%	12%	13%	14%	15%		
Premium Finance	Property and casualty	5%	6%	7%	8%	9%		
Small Business	SBA Loans	5%	5%	5%	5%	5%	6%	6%
Student Loan	Private	8%	9%	10%	11%	12%	13%	14%
Leveraged Loans	Static	20%	20%	20%	20%	20%	21%	22%
Commercial Mortgages	Legacy, Conduit	15%	15%	15%	15%	15%	16%	17%

* For auto, credit card, equipment, floorplan, and premium finance ABS, the weighted average life must be five years or less. For other new-issue eligible collateral, haircuts will increase by one percentage point for each additional year (or portion thereof) of average life beyond five years. For legacy CMBS with average lives beyond five years, base dollar haircuts will increase by one percentage point of par for each additional year (or portion thereof) of average life beyond five years. No securitization may have an average life beyond ten years.