

Paycheck Protection Program Liquidity Facility

(PPPLF)

April 10, 2020

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Welcome

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The Paycheck Protection Program Liquidity Facility (PPPLF) is a Federal Reserve facility

- This presentation is about the Federal Reserve's PPPLF.
- The PPPLF provides term funding to depository institutions (DIs) that originate loans to small businesses (under the PPP).
- While the PPPLF supports the Small Business Administration's Paycheck Protection Program (PPP) by providing funding to DIs that are PPP lenders – the PPPLF and PPP are distinct programs and are run by different agencies.

Board of Governors of the Federal Reserve System

The Federal Reserve, the central bank of the United States, provides the nation with a safe, flexible, and stable monetary and financial system.

Press Release

April 09, 2020

Federal Reserve takes additional actions to provide up to \$2.3 trillion in loans to support the economy

For release at 8:30 a.m. EDT

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The Federal Reserve on Thursday took additional actions to provide up to \$2.3 trillion in loans to support the economy. This funding will assist households and employers of all sizes and bolster the ability of state and local governments to deliver critical services during the coronavirus pandemic.

"Our country's highest priority must be to address this public health crisis, providing care for the ill and limiting the further spread of the virus," said Federal Reserve Board Chair Jerome H. Powell. "The Fed's role is to provide as much relief and stability as we can during this period of constrained economic activity, and our actions today will help ensure that the eventual recovery is as vigorous as possible."

The Federal Reserve's role is guided by its mandate from Congress to promote maximum employment and stable prices, along with its responsibilities to promote the stability of the financial system. In support of these goals, the Federal Reserve is using its full range of authorities to provide powerful support for the flow of credit in the economy.

The actions the Federal Reserve is taking today to support employers of all sizes and communities across the country will:

- Bolster the effectiveness of the Small Business Administration's Paycheck Protection Program (PPP) by supplying liquidity to participating financial institutions through term financing backed by PPP loans to small businesses. The PPP provides loans to small businesses so that they can keep their workers on the payroll. The Paycheck Protection Program Liquidity Facility (PPPLF) will extend credit to eligible financial institutions that originate PPP loans, taking the loans as collateral at face value;

The Paycheck Protection Program (PPP) is run by the Small Business Administration (SBA)

Additional information about the PPP can be found at

- <https://home.treasury.gov/coronavirus>
- and
- <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp>



Assistance for Small Businesses

The Paycheck Protection Program prioritizes millions of Americans employed by small businesses by authorizing up to \$349 billion toward job retention and certain other expenses.

Small businesses and eligible nonprofit organizations, Veterans organizations, and Tribal businesses described in the Small Business Act, as well as individuals who are self-employed or are independent contractors, are eligible if they also meet program size standards.



Paycheck Protection Program

An SBA loan that helps businesses keep their workforce employed during the Coronavirus (COVID-19) crisis.

Content

- [Loan Information](#)
- [Who Can Apply](#)
- [Loan Details and Forgiveness](#)
- [Other Assistance](#)
- [Lender Forms and Guidance](#)

The PPPLF Term Sheet covers the main features of this facility

- The PPPLF Term Sheet is available on the Board of Governor's website: <https://www.federalreserve.gov/monetarypolicy/ppplf.htm>.
- The facility's parameters include:
 - All depository institutions that originate PPP loans are eligible to borrow under the facility.
 - Advances under the facility will be made at a rate of 35 basis points.

For depository institutions that are qualified to borrow from the discount window, PPP Loans may be pledged as collateral

- **Loans guaranteed by the SBA—including Paycheck Protection Program (PPP) loans authorized in the “CARES Act” of 2020—may be pledged as collateral for the discount window, as described in the Federal Reserve collateral guidelines.**
 - The SBA-guaranteed portions of such loans receive margins in the “US Agency Guaranteed Loans” category of the Federal Reserve discount window collateral margins table. In addition, any unguaranteed portions of SBA-guaranteed loans receive margins according to the loan type.
 - Visit <https://www.frbdiscountwindow.org/Pages/General-Information/faq#list-item-2> for more details about the discount window.
- **The discount window and PPPLF are distinct Federal Reserve programs that differ in several important ways, including:**
 - Only PPP loans guaranteed by the SBA are eligible to serve as collateral for the PPPLF.
 - Extensions of credit under the PPPLF are made without recourse to the borrower.
 - Extensions of credit under the PPPLF are made at a rate of 35 basis points.
 - Extensions of credit under the PPPLF are made without recourse, while discount window loans have full recourse.

What steps does a depository institution need to take to sign up for the PPPLF?

- To obtain an extension of credit under the PPPLF, depository institutions will need to fill out necessary documentation.
- This documentation, along with further details, will be available on the FRBDiscountwindow website.

Where a borrower will be able to find operational info

<https://www.frbdiscountwindow.org/>

PPPLF Content

The screenshot shows the Federal Reserve Discount Window website. At the top, there is a search bar and a navigation menu with items: General Information, Guidelines, Agreements, Discount Rates, Collateral, Payment System Risk, and Select Your District. Below the navigation is a section titled "Current Interest Rates" with four boxes: Primary Credit (0.25%), Secondary Credit (0.75%), Seasonal Credit (0.70%), and Fed Funds Target (0.00-0.25%). Below this is a large banner for the "Paycheck Protection Program Liquidity Facility (PPPLF)" with an arrow pointing to the right. At the bottom, there are several smaller tiles: Collateral Margin Tables, Select Your District, Getting Started, Pledging Collateral, Borrowing, Business Continuity, and FAQ.

The screenshot shows the Federal Reserve Discount Window website page for the Paycheck Protection Program Liquidity Facility (PPPLF). The page has the same navigation menu as the previous screenshot. The main heading is "Paycheck Protection Program Liquidity Facility (PPPLF)". Below the heading, there are sections for "Term Sheet" (with a link to "Term Sheet - PPPLF"), "PPPLF Borrowing Documentation" (with the text "Forthcoming - please check back later"), and "PPPLF Operational Documentation" (with the text "Forthcoming - please check back later"). At the bottom, there is a footer with links for "Discount Rates", "Discount Window Margins and Collateral Guidelines", "Select Your District", "Privacy Policy | Legal Notices", and "Contact Us".

Further detail on PPPLF processes

- **To initiate an extension of credit, depository institutions submit a standardized cover letter and collateral listing, group deposit.**
- **PPP loans pledged as collateral to be valued at principal amounts outstanding with no haircut...no ongoing collateral reporting requirements.**
- **The week of April 13th, additional documentation will be available and Reserve Banks will be preparing to accept PPPLF collateral and extending advances.**
- **Check back on the FRBDiscountWindow page for updates.**

Additional information on the PPPLF available in FAQs

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The Federal Reserve, the central bank of the United States, provides the nation with a safe, flexible, and stable monetary and financial system.

Navigation: About the Fed | News & Events | Monetary Policy | Supervision & Regulation | Payment Systems

Home > Monetary Policy > Policy Tools

Policy Tools

Paycheck Protection Program Liquidity Facility (PPPLF)

To bolster the effectiveness of the Small Business Administration's Paycheck Protection Program (PPP), the Federal Reserve is supplying liquidity to participating financial institutions through term financing backed by PPP loans to small businesses. The PPP provides loans to small businesses so that they can keep their workers on the payroll. The Paycheck Protection Program Liquidity Facility (PPPLF) will extend credit to eligible financial institutions that originate PPP loans, taking the loans as collateral at face value.

- [Term Sheet \(April 9, 2020\) \(PDF\)](#)
- [FAQs](#)

**Please address additional questions to:
PPPLF@CHI.FRB.ORG**



Navigation: General Information | Guidelines | Agreements | Discount Rates

Frequently Asked Questions

NEW Paycheck Protection Program Liquidity Facility (PPPLF)

- [Why did the Federal Reserve establish the PPPLF?](#)
- [How will the PPPLF work?](#)

Thank you for submitting questions

- **Is the rate fixed for the life of a PPPLF extension of credit?**
- **Are there any fees to participate in the PPPLF?**
- **Is there a limit to the total amount of credit that can be extended to a depository institution through the PPPLF?**
- **How are PPP loans that are pledged as collateral to the PPPLF valued?**
- **Does a depository institution that is a PPP lender have to have a master account at a Federal Reserve Bank in order to borrow under the PPPLF?**

References

- <https://www.federalreserve.gov/monetarypolicy/ppplf.htm>
- <https://www.frbdiscountwindow.org/pages/general-information/faq#list-item-1>
- <https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses>
- <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp>

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