

Revised as of June 23, 2009

Marked to show changes from May 19, 2009 version of Terms and Conditions

Effective ~~June 23, May 19,~~ 2009

 **Printer version**

Changes from May 1~~9~~-and-~~April 21~~ Terms and Conditions  PDF

General Terms and Conditions

Facility

The TALF is a Federal Reserve credit facility authorized under section 13(3) of the Federal Reserve Act. The TALF is intended to make credit available to consumers and businesses on more favorable terms by facilitating the issuance of asset-backed securities (ABS) and improving the market conditions for ABS more generally.

▲ General Terms and Conditions

The Federal Reserve Bank of New York (New York Fed) will make up to \$200 billion of loans under the TALF. TALF loans will have a term of three years or, in certain cases, five years; will be non-recourse to the borrower; and will be fully secured by eligible ABS. The U.S. Treasury Department will provide \$20 billion of credit protection to the Federal Reserve in connection with the TALF, as described below.

Eligible Collateral

Eligible collateral will include U.S. dollar-denominated cash (that is, not synthetic) ABS that are issued on or after January 1, 2009 (except for SBA Pool Certificates or Development Company Participation Certificates, which must have been issued on or after January 1, 2008). Eligible collateral will include only ABS that are cleared through the Depository Trust Company.

All or substantially all of the credit exposures underlying eligible ABS must be exposures that are both (1) originated by U.S.-organized entities or institutions or U.S. branches or agencies of foreign banks and (2) made to U.S.-domiciled obligors or with respect to real property located in the United States or one of its territories. The underlying credit exposures of eligible ABS must be auto loans, student loans, credit card loans, equipment loans, floorplan loans, insurance premium finance loans, small business loans fully

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guaranteed as to principal and interest by the U.S. Small Business Administration, receivables related to residential mortgage servicing advances (servicing advance receivables) or commercial mortgage loans.

The set of permissible underlying credit exposures of eligible ABS may be expanded later to include non-Agency residential mortgages and/or other asset classes.

Eligible collateral for a particular borrower must not be backed by loans originated or securitized by the borrower or by an affiliate of the borrower. A borrower, however, is not restricted from using an SBA Pool Certificate or Development Company Participation Certificate as collateral for its TALF loan even if the underlying loans backing the SBA ABS were originated by such borrower or its affiliates, provided that the borrower has no knowledge that the loans were originated by it or its affiliates. A borrower, in all cases, is not permitted to collateralize a TALF loan with ABS that was securitized by the borrower or by an affiliate of the borrower.

A CMBS will not be eligible collateral for a particular borrower if that borrower, or its affiliate, is a borrower under a mortgage loan backing the CMBS unless that loan, and each other mortgage loan in the CMBS mortgage pool made to an affiliate of the TALF borrower, together constitute no more than 5% of the aggregate principal balance of the mortgage loans in the pool as of the subscription date.

An ABS with a redemption option (other than pursuant to a customary clean-up call) is not eligible as collateral unless the ABS issuer has received acceptance of such redemption option from the New York Fed.

Further information on eligibility requirements for each category of ABS is provided below.

Eligible Borrowers

Any U.S. company that owns eligible collateral may borrow from the TALF provided the company maintains an account relationship with a

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primary dealer. An entity is a U.S. company if it is (1) a business entity or institution that is organized under the laws of the United States or a political subdivision or territory thereof (U.S.-organized) and conducts significant operations or activities in the United States, including any U.S.-organized subsidiary of such an entity; (2) a U.S. branch or agency of a foreign bank (other than a foreign central bank) that maintains reserves with a Federal Reserve Bank; (3) a U.S. insured depository institution; or (4) an investment fund that is U.S.-organized and managed by an investment manager that has its principal place of business in the United States. An entity that satisfies any one of the requirements above is a U.S. company regardless of whether it is controlled by, or managed by, a company that is not U.S.-organized. Notwithstanding the foregoing, a U.S. company excludes any entity, other than those described in clauses (2) and (3) above, that is controlled by a foreign government or is managed by an investment manager, other than those described in clauses (2) and (3) above, that is controlled by a foreign government.

Transaction Structure and Pricing

Credit extensions under the TALF will be in the form of non-recourse loans secured by eligible collateral. Each TALF loan will have a three-year maturity, except that TALF loans secured by SBA Pool Certificates, SBA Development Company Participation Certificates or ABS backed by student loans or commercial mortgage loans will have a five-year maturity if the borrower so elects. Interest on TALF loans will be payable monthly. TALF loans will not be subject to mark-to-market or re-margining requirements.

TALF loans 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. Unless otherwise provided in the Master Loan and Security Agreement "(MLSA)," any remittance of principal on eligible collateral must be used immediately to reduce the principal amount of the TALF loan in proportion to the loan's original haircut (e.g., if the original haircut ~~ratio~~ was 10 percent, 90 percent

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of any remittance of principal must immediately be repaid to the New York Fed). In addition, for collateral priced at a premium to par the borrower will make an additional principal payment calculated to adjust for the average reversion of market value toward par value as the ABS matures. Also, for five-year TALF loans (which will be available for loans secured by SBA ~~ABSPool Certificates, SBA Development Company Participation Certificates~~ or ABS backed by student loans or commercial mortgage loans), the excess ~~of Certificate or ABS~~ interest and any other distributions (excluding principal distributions) on the ABS over TALF loan interest payable (such amount, "net carry") will be remitted to the TALF borrower only until such ~~net carry excess~~ equals 25% per annum of the haircut amount in the first three loan years, 10% in the fourth loan year, and 5% in the fifth loan year, and the remainder of such ~~net carry excess~~ will be applied to TALF loan principal.

The New York Fed will assess an administrative fee equal to 5 basis points of the loan amount on the settlement date of each loan transaction.

Further information on transaction structure and pricing for TALF loans secured by each category of ABS is provided below and in the MLSA.

Allocation

The New York Fed will announce monthly TALF loan subscription and settlement dates for TALF loans to be secured by each category of ABS. On each subscription date, borrowers will be able to request one or more floating-rate and one or more fixed-rate TALF loans by indicating for each loan the eligible ABS collateral they expect to pledge, the desired loan amount, the desired interest rate format (fixed or floating), and desired loan maturity, subject to any limitations on the types of interest rates or loan maturities specified in the eligibility requirements for each category of ABS. Loan proceeds will be disbursed to the borrower, contingent on receipt by the New York Fed's custodian bank of the eligible ABS collateral. The

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minimum size for each TALF loan will be \$10 million.

The New York Fed reserves the right to reject any request for a loan, in whole or in part, in its discretion. In this regard, the New York Fed is developing and implementing procedures to identify for further scrutiny potentially high-risk ABS that a borrower proposes to pledge to the New York Fed under the TALF.

Roles of Primary Dealers and Custodian Bank

Each borrower must use a primary dealer, which will act as agent for the borrower, to access the TALF and must deliver eligible collateral to the New York Fed's custodian bank.

Role of the U.S. Treasury Department

The New York Fed will create a special purpose vehicle (SPV) to purchase and manage any assets received by the New York Fed in connection with any TALF loans. The New York Fed will enter into a forward purchase agreement with the SPV under which the SPV will commit, for a fee, to purchase all assets securing a TALF loan that are received by the New York Fed at a price equal to the TALF loan amount plus accrued but unpaid interest. The U.S. Treasury's Troubled Asset Relief Program (TARP) will purchase subordinated debt issued by the SPV to finance the first \$20 billion of asset purchases. If more than \$20 billion in assets are purchased by the SPV, the New York Fed will lend additional funds to the SPV to finance such additional purchases. The New York Fed's loan to the SPV will be senior to the TARP subordinated loan and secured by all the assets of the SPV.

Termination Date

The facility will cease making new loans on December 31, 2009, unless the Board extends the facility.

NON-MORTGAGE-BACKED ABS

Terms and conditions specific to newly issued non-mortgage-backed

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ABS follow below. This category of ABS includes securities backed by auto loans, student loans, credit card loans, equipment loans, floorplan loans, insurance premium finance loans, small business loans fully guaranteed as to principal and interest by the U.S. Small Business Administration, and receivables related to residential mortgage servicing advances (servicing advance receivables).

▲ Non-Mortgage-Backed ABS

Eligible Collateral

Eligible collateral will include U.S. dollar-denominated cash (that is, not synthetic) ABS that have a credit rating in the highest long-term or short-term investment-grade rating category from two or more 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. Eligible collateral will not include ABS that obtain such credit ratings based on the benefit of a third-party guarantee or ABS that an eligible NRSRO has placed on review or watch for downgrade. See the "Frequently Asked Questions" for further information regarding those NRSROs that are eligible under TALF for purposes of rating ABS. Eligible small business loan ABS also will include U.S. dollar-denominated cash ABS that are, or for which all of the underlying credit exposures are, fully guaranteed as to principal and interest by the full faith and credit of the U.S. government. ~~Eligible collateral will include only ABS that are cleared through the Depository Trust Company.~~

All or substantially all of the underlying credit exposures must be auto loans, student loans, credit card loans, equipment loans, floorplan loans, insurance premium finance loans, small business loans fully guaranteed as to principal and interest by the U.S. Small Business Administration, receivables related to residential mortgage servicing advances (servicing advance receivables). For these purposes:

- Auto loans will include retail loans and leases relating to cars, light trucks, motorcycles and other recreational vehicles; commercial and government fleet leases; and commercial loans

secured by vehicles and the related fleet leases and subleases of such vehicles to rental car companies. All or substantially all of the credit exposures underlying eligible auto loan ABS issued by a non-revolving trust must have been originated on or after October 1, 2007. Eligible auto ABS issued by a revolving (or master) trust must be issued to refinance existing auto ABS maturing in 2009 and must be issued in amounts no greater than the amount of the maturing ABS. Eligible auto ABS may also be issued out of an existing or newly established master trust in which all or substantially all of the underlying exposures were originated on or after January 1, 2009. Eligible auto loan ABS must have an average life of no more than five years.

- Student loans will include federally guaranteed student loans (including consolidation loans) and private student loans. All or substantially all of the credit exposures underlying eligible student loan ABS must have had a first disbursement date on or after May 1, 2007.
- Credit card receivables will include both consumer and corporate credit card receivables. Eligible credit card ABS issued by a revolving (or master) trust must be issued to refinance existing credit card ABS maturing in 2009 and must be issued in amounts no greater than the amount of the maturing ABS. Eligible credit card ABS must have an average life of no more than five years.
- Equipment loans will include retail loans and leases relating to business equipment. All or substantially all of the credit exposures underlying eligible equipment loan ABS must have been originated on or after October 1, 2007. Eligible equipment loan ABS must have an average life of no more than five years.
- Floorplan loans will include revolving lines of credit to finance dealer inventories. Eligible floorplan ABS issued by a revolving (or master) trust must be issued to refinance existing floorplan ABS maturing in 2009 and must be issued in amounts no greater than the amount of the maturing ABS. Eligible floorplan ABS may

- also be issued out of an existing or newly established master trust in which all or substantially all of the underlying exposures were originated on or after January 1, 2009. Eligible floorplan ABS must have an average life of no more than five years.
- Insurance premium finance loans will include loans originated for the purposes of paying premiums on property and casualty insurance but will not include deferred payment obligations acquired from insurance companies. The issuer of the ABS must acquire ownership of each premium finance loan in its entirety (as opposed to merely a participation or beneficial interest). The securitization must include a back-up servicer obligated to service the loans upon the resignation or termination of the initial servicer. Eligible premium finance ABS issued by a revolving (or master) trust must be issued to refinance existing premium finance ABS maturing in 2009 and must be issued in amounts no greater than the amount of the maturing ABS. Eligible premium finance ABS may also be issued out of an existing or newly established master trust in which all or substantially all of the underlying exposures were originated on or after January 1, 2009. Eligible premium finance ABS must have an average life of no more than five years.
 - Small business loans include loans, debentures or pools originated under the SBA's 7(a) and 504 programs, provided they are fully guaranteed as to principal and interest by the full faith and credit of the U.S. government. SBA Pool Certificates and Development Company Participation Certificates must have been issued on or after January 1, 2008, regardless of the dates of the underlying loans or debentures. The SBA-guaranteed credit exposures underlying all other eligible small business ABS must have been originated on or after January 1, 2008.
 - Eligible servicing advance receivables will include receivables created by principal and interest, tax and insurance, and corporate advances made by Fannie Mae- or Freddie Mac-approved residential mortgage servicers under pooling and

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servicing agreements or similar servicing agreements. All or substantially all such mortgage servicing advances must have been advanced on or after January 1, 2007. Eligible servicing advance receivable ABS must have an average life of no more than five years.

The underlying credit exposures must not include exposures that are themselves cash ABS or synthetic ABS. For credit card, auto lease, floorplan and equipment lease securitizations, the underlying exposures may include financial assets that represent an interest in or the right to payments or cash flows from another asset pool (intermediate securities) created in the normal course of business solely to facilitate the issuance of an ABS. In such cases, for purposes of determining whether the exposures underlying an ABS meet the eligibility requirements for TALF collateral, the credit exposures underlying the intermediate securities are considered to be the underlying exposures of the ABS itself.

Transaction Structure and Pricing

The interest rate on TALF loans secured by ABS backed by federally guaranteed student loans will be 50 basis points over 1-month LIBOR. The interest rate on TALF loans secured by SBA Pool Certificates will be the federal funds target rate plus 75 basis points. The interest rate on TALF loans secured by SBA Development Company Participation Certificates will be 50 basis points over the 3-year LIBOR swap rate for three-year TALF loans and 50 basis points over the 5-year LIBOR swap rate for five-year TALF loans. For three-year TALF loans secured by other eligible fixed-rate ABS, the interest rate will be 100 basis points over the 1-year LIBOR swap rate for securities with a weighted average life less than one year, 100 basis points over the 2-year LIBOR swap rate for securities with a weighted average life greater than or equal to one year and less than two years, or 100 basis points over the 3-year LIBOR swap rate for securities with a weighted average life of two years or greater. For TALF loans secured by private student loan ABS bearing a prime-based coupon, the interest rate will be the higher of 1 percent and the rate equal to "Prime Rate" (as

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defined in the MLSA) minus 175 basis points. For other~~For three-year~~ TALF loans secured by other eligible floating-rate ABS, the interest rate will be 100 basis points over 1-month LIBOR.

Haircuts

Collateral haircuts are as follows:

Sector	Subsector	ABS Average Life (years)						
		0- <10 1	1- <2> 1-2	2- <3> 2-3	3- <4> 3-4	4- <5> 4-5	5- <6> 5-6	6- <7> 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%		

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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%		
Servicing Advances	Residential mortgage	12%	13%	14%	15%	16%		
Small Business	SBA loans	5%	5%	5%	5%	5%	6%	6%
Student Loan	Private	8%	9%	10%	11%	12%	13%	14%
Student Loan	Gov't guaranteed	5%	5%	5%	5%	5%	6%	6%

For ABS benefiting from a government guarantee with average lives beyond five years, haircuts will increase by one percentage point for every two additional years of average life beyond five years. For all other ABS with average lives beyond five years, haircuts will increase by one percentage point for each additional year of average life beyond five years.

CMBS

Terms and conditions specific to newly issued commercial mortgage-backed securities (CMBS) follow below.

▲ CMBS

Eligible Collateral

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Eligible collateral for a TALF loan will include U.S. dollar-denominated, cash (that is, not synthetic) commercial mortgage-backed pass-through securities (each a "CMBS") issued on or after January 1, 2009 as to which all of the following conditions are satisfied as of its date of issuance (except as the context otherwise requires).

- **Assets:** The assets underlying the CMBS must satisfy the conditions described under "Qualifying Assets" below.
- **Pooling and Servicing Agreements:** The pooling and servicing agreement and other agreements governing the issuance of the CMBS and the servicing of its assets must satisfy the conditions described under "Pooling and Servicing Agreements" below.
- **Current Ratings:** As of the TALF loan closing date, the CMBS must have a credit rating in the highest long-term investment-grade rating category from at least two TALF CMBS-Eligible Rating Agencies and must not have a credit rating below the highest investment-grade rating category from any TALF CMBS-Eligible Rating Agency. Eligible collateral will not include a CMBS that obtains such credit ratings based on the benefit of a third-party guarantee or a CMBS that a TALF CMBS-Eligible Rating Agency has placed on review or watch for downgrade. See the "Frequently Asked Questions" for further information regarding TALF CMBS-Eligible Rating Agencies. ~~and the ratings conditions that must be satisfied for a CMBS to be eligible collateral.~~
- **Payment Terms:** The CMBS must entitle its holders to payments of principal and interest (that is, must not be an interest-only or principal-only security). The CMBS must bear interest at a pass-through rate that is fixed or based on the weighted average of the underlying fixed mortgage rates. The CMBS must not be junior to other securities with claims on the same pool of loans.
- **Issuer:** The issuer of the CMBS must not be an agency or instrumentality of the United States or a government-sponsored

enterprise.

- ~~• **Settlement:** Each CMBS must be cleared through the Depository Trust Company.~~

Qualifying Assets

- **Asset Types:** Each CMBS must evidence an interest in a trust fund consisting of fully-funded, first-priority mortgage loans that are current in payment at the time of securitization, and not other CMBS, other securities or interest rate swap or cap instruments or other hedging instruments. A participation or other ownership interest in such a loan will be considered a mortgage loan and not a CMBS or other security if, following a loan default, the ownership interest is senior to or pari passu with all other interests in the same loan in right of payment of principal and interest. All mortgage loans must be fixed-rate loans. No mortgage loan may provide for interest-only payments during any part of its remaining term.
- **Property Types:** The security for each mortgage loan must include a mortgage or similar instrument on a fee or leasehold interest in one or more income-generating commercial properties. Each property must be located in the United States or one of its territories.
- **U.S. Origination:** 95 percent or more of the dollar amount of the credit exposures underlying the CMBS must be exposures that are originated by U.S.-organized entities or institutions or U.S. branches or agencies of foreign banks.
- **Origination Dates:** All mortgage loans must have been originated on or after July 1, 2008.
- **In-Place Underwriting:** All mortgage loans must have been underwritten or re-underwritten recently prior to the issuance of the CMBS, generally on the basis of then-current in-place,

stabilized and recurring net operating income and then-current property appraisals.

Pooling and Servicing Agreements

The pooling and servicing agreement and other agreements governing the issuance of the CMBS and the servicing of its assets must contain provisions to the following effects.

- If the class of the CMBS is one of two or more time-tranched classes of the same distribution priority, distributions of principal must be made on a pro rata basis to all such classes once the credit support is reduced to zero as a result of both actual realized losses and “appraisal reduction amounts”.
- Control over the servicing of the assets, whether through approval, consultation or servicer appointment rights, must not be held by investors in a subordinate class of CMBS once the principal balance of that class is reduced to less than 25% of its initial principal balance as a result of both actual realized losses and “appraisal reduction amounts”.
- A post-securitization property appraisal may not be recognized for any purpose under such agreements if the appraisal was obtained at the demand or request of any person other than the servicer for the related mortgage loan or the trustee.
- The mortgage loan seller must represent that, upon the origination of each mortgage loan, the improvements at each related property were in material compliance with applicable law.

Loan Terms, Haircuts and Other Provisions

The general terms and conditions of the TALF program described above apply to TALF loans that are secured by a CMBS described above, except as modified by the following terms and conditions:

- The New York Fed expects collateral pools to be diversified with respect to loan size, geography, property type, borrower

sponsorship and other characteristics, but will consider CMBS backed by nondiversified collateral on a case-by-case basis.

- The New York Fed will engage a collateral monitor and will reserve the right, until the issuance of the CMBS, to exclude specific loans from each pool. In addition, the New York Fed will retain the right to reject any CMBS as TALF loan collateral based on its risk assessment.
- The New York Fed expects the agreements governing the issuance of each CMBS and the servicing of its assets, and the terms and conditions of its underlying loans, to permit, and to provide in effect for, reporting that is sufficient to enable the New York Fed to monitor and evaluate its position as secured lender.
- Each TALF loan secured by a CMBS will have a three-year maturity or five-year maturity, at the election of the borrower. A three-year TALF loan will bear interest at a fixed rate per annum equal to 100 basis points over the 3-year Libor swap rate. A five-year TALF loan will bear interest at a fixed rate per annum equal to 100 basis points over the 5-year Libor swap rate.
- The collateral haircut for each CMBS with an average life of five years or less will be 15%. For CMBS with average lives beyond five years, collateral haircuts will increase by one percentage point for each additional year of average life beyond five years. No CMBS may have an average life beyond ten years.
- The average life of a CMBS will be the remainder of the original weighted average life determined by its issuer employing industry-standard assumptions.
- A TALF borrower must agree not to exercise or refrain from exercising any voting, consent or waiver rights under a CMBS without the consent of the New York Fed.

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¹ 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.