Paycheck Protection Program Liquidity Facility (PPPLF)

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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.
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](https://home.treasury.gov/coronavirus)

  and

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](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
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 13\(^{th}\), additional documentation will be available and Reserve Banks will be preparing to accept PPPLF collateral and extending advances.

• Check back on the FRBDiscounWindow page for updates.
Additional information on the PPPLF available in FAQs

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