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### Press Release: November 25, 2008

Federal Reserve System: Board of Governors

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# Board of Governors of the Federal Reserve System

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## Press Release



*Release Date: November 25, 2008*

### For release at 8:15 a.m. EST

The Federal Reserve Board on Tuesday announced the creation of the Term Asset-Backed Securities Loan Facility (TALF), a facility that will help market participants meet the credit needs of households and small businesses by supporting the issuance of asset-backed securities (ABS) collateralized by student loans, auto loans, credit card loans, and loans guaranteed by the Small Business Administration (SBA).

Under the TALF, the Federal Reserve Bank of New York (FRBNY) will lend up to \$200 billion on a non-recourse basis to holders of certain AAA-rated ABS backed by newly and recently originated consumer and small business loans. The FRBNY will lend an amount equal to the market value of the ABS less a haircut and will be secured at all times by the ABS. The U.S. Treasury Department—under the Troubled Assets Relief Program (TARP) of the Emergency Economic Stabilization Act of 2008—will provide \$20 billion of credit protection to the FRBNY in connection with the TALF. The attached terms and conditions document describes the basic terms and operational details of the facility. The terms and conditions are subject to change based on discussions with market participants in the coming weeks.

New issuance of ABS declined precipitously in September and came to a halt in October. At the same time, interest rate spreads on AAA-rated tranches of ABS soared to levels well outside the range of historical experience, reflecting unusually high risk premiums. The ABS markets historically have funded a substantial share of consumer credit and SBA-guaranteed small business loans. Continued disruption of these markets could significantly limit the availability of credit to households and small businesses and thereby contribute to further weakening of U.S. economic activity. The TALF is designed to increase credit availability and support economic activity by facilitating renewed issuance of consumer and small business ABS at more normal interest rate spreads.

[TALF Terms and conditions \(44 KB PDF\)](#)

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