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### Treasury Provides TARP Funds to Federal Reserve Consumer ABS Lending Facility

United States: Department of the Treasury

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# U.S. DEPARTMENT OF THE TREASURY

## Press Center

### Treasury Provides TARP Funds to Federal Reserve Consumer ABS Lending Facility

11/25/2008

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hp-1292

**Washington-- The U.S. Treasury Department today announced it will allocate \$20 billion to back a lending facility for the consumer asset backed securities market established by the Federal Reserve Bank of New York.**

The U.S. Treasury Department today announced it will allocate \$20 billion to back a lending facility for the consumer asset backed securities market established by the Federal Reserve Bank of New York.

The asset backed securities market provides liquidity to financial institutions that provide small business loans and consumer lending such as auto loans, student loans, and credit cards. While ABS issuances in these categories were roughly \$240 billion in 2007, issuance of consumer ABS declined precipitously in the third quarter of 2008 before essentially coming to a halt in October. Continued disruption in the ABS market could further deteriorate credit availability for consumers and increase the prospects for further deterioration in the economy generally.

This facility, the Term Asset Backed Securities Loan Facility, is intended to assist the credit markets in accommodating the credit needs of consumers and small businesses by facilitating the issuance of ABS and improving ABS market conditions. The underlying credit exposures of eligible securities initially must be newly or recently originated auto loans, student loans, credit card loans or small business loans guaranteed by the U.S. Small Business Administration. The facility may be expanded over time and eligible asset classes may be expanded later to include other assets, such as commercial mortgage-backed securities, non-agency residential mortgage-backed securities or other asset classes.

Under the new facility, the Federal Reserve Bank of New York will lend up to \$200 billion on a non-recourse basis to holders of newly issued AAA-rated ABS for a term of at least one year. The Federal Reserve 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 will provide a \$20 billion of credit protection to the Federal Reserve in connection with the facility, using its authorities in the Emergency Economic Stabilization Act of 2008. The attached term sheet describes the basic terms and operational details of the facility.

-30-

## REPORTS

- [Term Sheet](#)

