

# Clients & Friends Memo

## Treasury's Financial Stability Plan Increases Access to Term Asset-Backed Securities Loan Facility (TALF)

February 10, 2009

### TALF Extended to CMBS

On February 10, 2009, Treasury Secretary Tim Geithner unveiled a framework for a Financial Stability Plan that utilizes a multi-pronged approach to addressing the financial crises facing the U.S. and global economies. One of the prongs of the Financial Stability Plan is to expand the coverage of the Federal Reserve's previously announced but not yet implemented Term Asset-Backed Securities Loan Facility (TALF). As initially announced by the Treasury Department, the TALF is a facility that is intended to help lenders meet the credit needs of households and small businesses by supporting the issuance of securities backed by student loans, auto loans, credit card loans and loans guaranteed by the Small Business Administration. A summary of the initially announced program is available at [http://www.cadwalader.com/assets/client\\_friend/120308USFedReserve.pdf](http://www.cadwalader.com/assets/client_friend/120308USFedReserve.pdf).

Today's announcements include the following updates to the TALF program:

- Eligible Collateral to Include CMBS. The assets that are eligible to be pledged to the Federal Reserve under TALF may include commercial mortgage-backed securities meeting certain criteria established by the Treasury.
- Other Asset Classes. The Treasury announced that it will continue to consult with the Federal Reserve to determine whether to further expand the coverage of the TALF program to other asset types, such as non-Agency residential mortgage-backed securities or assets collateralized by corporate debt.
- Expanded Balance. The Financial Stability Plan expands the size of the TALF from the originally contemplated \$20 billion from the Treasury, which can be leveraged to \$200 billion of lending from the Federal Reserve, to \$100 billion, which can be leveraged up to \$1 trillion of lending.
- Taxpayer Protection. The Treasury intends to protect taxpayer resources by limiting purchases to AAA securities backed by newly packaged loans.

**Additional Information**

A fact sheet published by the Treasury Department covering the Financial Stability Plan is available at <http://financialstability.gov/docs/fact-sheet.pdf>. The Federal Reserve has also published answers to “frequently asked questions” on the TALF that can be viewed at [http://www.newyorkfed.org//markets/talf\\_faq.html](http://www.newyorkfed.org//markets/talf_faq.html). The “frequently asked questions” include the preliminary “haircuts” that will be imposed on the different asset-classes that are permitted to be purchased under the TALF. However, the haircuts have not yet been updated to include the new CMBS asset-class.

**Investor Conference Call**

An investor call by the Federal Reserve regarding the TALF is scheduled for Thursday, February 12, 2009, at 3:00 p.m. EST, with a call-in number of 1-866-216-6835 (participant code: 296081). A selection of questions received in advance via email will be addressed during that call. Persons desiring to submit questions should direct them to [TALF@ny.frb.org](mailto:TALF@ny.frb.org).

**Transparency Initiative**

The Financial Stability Plan calls for greater transparency, accountability and conditionality for firms receiving exceptional assistance. In that vein, the Treasury announced the establishment of a new website at [www.FinancialStability.gov](http://www.FinancialStability.gov) and its intent to post all information disclosed or reported to the Treasury by recipients of capital assistance on that website.

If you have any questions regarding the foregoing, please contact any member of the firm's Capital Markets Department as listed on the following page.

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