The Paycheck Protection Program Liquidity Facility (PPPLF):
Update on Pledging Purchased Loans and Operational Details on the Paydown Process

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The Federal Reserve established the Paycheck Protection Program Liquidity Facility (PPPLF)

• The PPPLF is designed to bolster the effectiveness of the Small Business Administration’s (SBA) Paycheck Protection Program (PPP) by providing liquidity to financial institutions using the PPP loans as collateral.

• The Federal Reserve continues to assess the effectiveness of the PPPLF relative to its objectives. As of April 30:
  • **All lenders that are eligible to originate loans** to small businesses (under the PPP) may access term funding through the PPPLF.
  • An eligible PPPLF participant may pledge SBA-guaranteed PPP loans that it has **originated or purchased**.
The Paycheck Protection Program (PPP) is run by the Small Business Administration.

Additional information about the PPP can be found at:

- https://home.treasury.gov/coronavirus
The Paycheck Protection Program (PPP) is run by the Small Business Administration (cont.)

Additional information about the PPP loan forgiveness application is available at: https://www.sba.gov/document/sba-form--paycheck-protection-program-loan-forgiveness-application
Prior *Ask the Fed*® sessions are available for additional background on the PPPLF, the sign-up process, and the collateral pledging process.

- The April 17, 2020, *Ask the Fed*® session is available and provides operational details about pledging collateral for PPPLF advances for depository institutions.

- The May 6, 2020, *Ask the Fed*® session is available and provides both a high-level overview of the PPPLF and operational details about pledging collateral for PPPLF advances for non-depository institutions.

- Today’s session is targeted for all PPPLF participants.
A PPPLF participant may pledge a PPP loan that the participant purchased from another PPP lender

- A PPP loan must be purchased in accordance with the SBA’s requirements for the sale and purchase of whole PPP loans in order to be pledged as collateral. See SBA Guidance on Whole Loan Sales of Paycheck Protection Program Loans at https://www.sba.gov/sites/default/files/2020-05/5000-20024.pdf.

- To pledge a purchased PPP loan, the PPPLF participant must provide the relevant Reserve Bank with documentation demonstrating that the SBA has acknowledged that the pledging institution is the beneficiary of the SBA guarantee for the loan.
  - Documentation includes both copies of the SBA’s “Acknowledgement of PPP Whole Loan Sale” letter and the accompanying loan list identifying each of the PPP loans purchased, by SBA loan number.
  - If PPP loans were purchased in more than one purchase and sale transaction, the pledging institution must submit documentation for all purchased PPP loans being pledged.

- A depository institution that participated in the PPPLF prior to May 1, 2020, must execute an updated PPPLF Letter of Agreement, as amended May 1, 2020, if the depository institution wishes to pledge PPP loans that it has purchased to the PPPLF.
A PPPLF participant is required to repay a PPPLF advance when the PPPLF participant has received payments

- A PPPLF participant is required to repay a PPPLF extension of credit when any of the following happens.
  - The PPPLF participant has been reimbursed by the SBA for a loan forgiveness (to the extent of the forgiveness).
  - The PPPLF participant has received payment from the SBA representing exercise of the loan guarantee.
  - The PPPLF participant has received payment from the PPP borrower of the underlying PPP loan (to the extent of the payment received).

- Any payments on pledged PPP loans must be promptly reported to the lending Reserve Bank so that the PPPLF extension of credit can be adjusted accordingly.
PPPLF participants will have regular weekly reporting requirements

• The PPPLF participant must begin reporting reductions in the outstanding balance of PPP loans pledged to secure all of its PPPLF advances once a week, or more frequently if requested by the lending Reserve Bank.

• Reserve Banks will require weekly reporting (in lieu of immediate reporting) of reductions in PPP loan balances beginning on the date that the PPPLF participant begins receiving forgiveness reimbursement payments from the SBA and begins forgiveness paydowns on PPP loans that are pledged to the PPPLF.

• Prior to the start of the regular weekly reporting process, PPPLF participants should report any payments on PPP loans pledged as collateral immediately upon receipt of the payment, so that the amount of the associated PPPLF advance outstanding does not exceed the outstanding amount of PPP loans pledged to secure the advance.
There are two documents necessary to report reductions in the value of PPP loans that are pledged to secure a PPPLF advance

• **Transmittal Form for Reporting Reductions of Outstanding Principal Balance of Small Business Administration Paycheck Protection Program Loans Pledged to Secure Paycheck Protection Program Liquidity Facility Advances:**
  – This form is used to submit updated outstanding balance of PPP loan pools that are pledged as collateral to the PPPLF.

• Paycheck Protection Program **Individual Loan Listing Table:**
  – This is the same template which was used to submit the initial pledge. When preparing the loan listing, the listing form should not be altered in any way other than to add more rows for individual loan information.
There are two documents necessary to report reductions in the value of PPP loans that are pledged to secure a PPPLF advance (cont.)

- The **Transmittal Form for Reporting Reductions** of Outstanding Principal Balance of Small Business Administration Paycheck Protection Program Loans Pledged to Secure Paycheck Protection Program Liquidity Facility Advances is available on the PPPLF websites.

- This form (shorthand: “reductions transmittal form”) is used to submit updated outstanding balance of PPP loan pools that are pledged as collateral to the PPPLF.
  - The reductions transmittal form is **distinct from the original transmittal form** used to initiate PPPLF advances.
  - In contrast to the original transmittal form, all PPPLF participants will use the same reductions transmittal form (i.e., both depository institutions and non-depository participants will use the same form).

- A separate reductions transmittal form is needed for each PPPLF advance. PPPLF advances are defined by the maturity date of the PPP loan pool that is pledged to support the advance, the number of loans in the original PPP loan pool, and the original total par amount.
PPPLF information can be accessed easily from https://www.frbdiscountwindow.org/
PPPLF Loan Payment Scenarios

• **Original Pledge** - April 30, 2020, PPPLF participant receives $6.2 million PPPLF advance

• **Paydown 1** – Late July 2020, PPPLF participant receives SBA forgiveness payments and pays down the PPP loans
  – PPPLF participant reports PPP loan payments to lending Federal Reserve Bank
  – Reserve Bank debits master account and reduces PPPLF loan amount – Federal Reserve prepays PPPLF Advance on July 30, 2020, 13 weeks or 91 days after advance

• **Paydown 2** – Late August 2020, PPPLF participant receives SBA forgiveness payments and pays down the PPP loans
  – PPPLF participant reports PPP loan payments to lending Federal Reserve Bank
  – Reserve Bank debits master account and reduces PPPLF loan amount - Federal Reserve prepays PPPLF Advance on August 31, 2020, 17 weeks or 123 days after advance
**Example: Transmittal Form “Original Pledge”**

![Transmittal Form](image)

TO: Federal Reserve Bank of Choose an item (FRB) FROM: Jane Smith, Vice President

______________Cleveland______________

(Name and Title) – print.

ABC Inc.

(Name of Borrower)

1234-5678-9

(Customer Identification #)

1234 Non-Del Road

(Address)

Non-DIC, Non-DIS (City & State)

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SBA PPP Loans must be pooled by maturity date. Only one maturity pool may be submitted per transmittal form and loan listing. Once a maturity pool has been submitted, no additions to the pool will be accepted.

<table>
<thead>
<tr>
<th>PPP Loan Origination Date</th>
<th>PPP Loan Maturity Date</th>
<th>PPP Loans Pledged</th>
</tr>
</thead>
<tbody>
<tr>
<td>4/29/2020</td>
<td>4/29/2022</td>
<td></td>
</tr>
</tbody>
</table>

**Total Number of Loans**

3

**Aggregate Current Outstanding Principal Balance**

$6,200,000.00

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I, an individual authorized to pledge collateral and request PPPFL advances pursuant to Borrower's Authorizing Resolution or the Borrower's PPPFL Letter of Agreement ('Authorized Individual'), am pledging the SBA PPP pool below as collateral to secure an advance that the Borrower hereby requests be made pursuant to the PPPFL, under the terms and conditions of the PPPFL Letter of Agreement.

I further certify that:

a) All loans included in the pledge are owned by and are in the custody of Borrower and maintained free of any claim adverse to the Federal Reserve Bank.

b) A new collateral listing will be submitted to report reductions in current outstanding principal at a frequency determined by the Federal Reserve Bank; and

c) All individual loans in the total below are listed in the accompanying individual loan listing.

**Check the box if the pledged pool contains purchased PPP loans. If the pledged pool contains purchased PPP loans, the borrower must also provide the SBA Acknowledgment of PPP Whole Loan Sale letter and the accompanying loan list identifying each of the purchased PPP loans by SBA loan number.**

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**Request for PPPFL Advance**

(Amount must not be greater than Aggregate Current Outstanding Principal Balance above)

$6,200,000.00

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An advance will typically be processed on the day following receipt of a request, with notification provided the day after the advance has been processed.

Submission:

Each Transmittal Form and accompanying loan listing form must be e-mailed to the Federal Reserve Bank by an Authorized Individual. A separate e-mail is required for each PPPFL request.

(rev 8/13/2020)
### Example: Individual Loan Listing “Original Pledge”

**Paycheck Protection Program Individual Loan Listing for Non Depository Institutions**

- **Customer Identification #:** 123456789
- **Borrower Name:** ABC Inc.
- **Address:** Street Address or PO BOX of Pledging Borrower
- **City, State and Zip:** City, State ZIP of Pledging Borrower
- **Applicable Regional FHLB:** N/A - Not Applicable
- **Origination Date of Pledged Loan Pool:** 4/29/2020
- **As-of Date:** 4/30/2020

<table>
<thead>
<tr>
<th>Obligation / Loan Number</th>
<th>SBA Loan Number</th>
<th>Borrower Name</th>
<th>Original Par Amount</th>
<th>Current Outstanding Principal Balance</th>
<th>Maturity Date</th>
<th>Interest Next Due Date</th>
<th>Principal Next Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>123456-000</td>
<td>999999999-00</td>
<td>Small Business A Name</td>
<td>$3,000,000.00</td>
<td>$3,000,000.00</td>
<td>4/29/2022</td>
<td>12/1/2020</td>
<td>12/1/2020</td>
</tr>
<tr>
<td>321644-000</td>
<td>999999999-05</td>
<td>Small Business B Name</td>
<td>$2,000,000.00</td>
<td>$2,000,000.00</td>
<td>4/29/2022</td>
<td>12/1/2020</td>
<td>12/1/2020</td>
</tr>
<tr>
<td>963852-000</td>
<td>999999999-03</td>
<td>Small Business C Name</td>
<td>$1,200,000.00</td>
<td>$1,200,000.00</td>
<td>4/29/2022</td>
<td>12/1/2020</td>
<td>12/1/2020</td>
</tr>
</tbody>
</table>

**Summary Information**

- **$6,200,000.00**
- **$6,200,000.00**

:: All fields are required.
:: Interest Next Due and Principal Next Due Date (Columns G and H) must be populated once loan(s) are eligible for payments under the terms of the PPP program. If payments include both interest and principal, only one next payment due date column is necessary.
:: The summary information items are shown with applicable formulas.
:: DO NOT alter the form in any way other than to add more rows for individual loan information

(rev 5/18/2020)
Example Paydown 1: Reporting Reductions

- From the original loan listing generated on April 30, 2020
- PPPLF participant receives SBA forgiveness payments and submits updated outstanding PPPLF balance to the Federal Reserve
  - Remaining Outstanding Principal Balance
  - Remaining Balance for each PPP loan

Illustration of SBA Forgiveness
(calculation form not provided by Federal Reserve)
Example Paydown 1: Transmittal Form for Reductions

TRANSMITTAL FORM FOR REPORTING REDUCTIONS OF OUTSTANDING PRINCIPAL BALANCE OF SMALL BUSINESS ADMINISTRATION PAYCHECK PROTECTION PROGRAM LOANS (SBA PPP) PLEDGED TO SECURE PAYCHECK PROTECTION PROGRAM LIQUIDITY FACILITY (PPPLF) ADVANCES

TO: Federal Reserve Bank of Cleveland (FRB)  FROM: Jane Smith, Vice President (Name and Title) – print

ABC Inc. (Name of Borrower)
1234-5678-9 (ABA # or CIN#)

The PPP loan pool described below is pledged to secure an outstanding PPPLF advance. Consistent with the terms and conditions of the PPPLF, as modified from time to time, the corresponding PPPLF advance will be prepaid at the principal balance of the pledged PPP loan pool declines and accrued interest will be charged.

I, an individual authorized to pledge collateral and request PPPLF advances pursuant to the Authorizing Resolution or the Borrower’s PPPLF Letter of Agreement (“Authorized Individual”), hereby affirm that:

a) All loans included in the pledge are owned by and are in the custody of Borrower and maintained free of any adverse claim; and
b) All individual loans in the aggregate current outstanding principal balance below are listed in the accompanying individual loan listing.

Note: PPP loans not included in the original pledge are not permitted to be substituted to offset PPP loans that have been paid off or paid down. In addition, PPP loans reported with a zero balance or PPP loans not included in the detailed pool listing(s) but were included in the original pledged PPP loan listing will be considered paid off for purposes of prepaying the advance and cannot be added back to the PPP loan pool at a future date.

Do not add rows to this form. A separate transmittal form is required for each payment request to align with the updated collateral listing.

<table>
<thead>
<tr>
<th>AS-OF-DATE (date the attached detailed listing was generated)</th>
<th>PPP Loan Pool Maturity Date</th>
<th>Number of Loans in original PPP Loan Pool</th>
<th>Original Par Amount at submission</th>
<th>Number of Loans Remaining in PPP Loan Pool</th>
<th>Aggregate Current Outstanding Principal Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/29/2020</td>
<td>4/29/2022</td>
<td>3</td>
<td>$6,200,000</td>
<td>2</td>
<td>$1,500,000</td>
</tr>
</tbody>
</table>

Submission:
Each Transmittal Form and accompanying individual loan files must be e-mailed to the Federal Reserve Bank by an Authorized Individual.
### Example Paydown 1: Loan Listing Form

**Paycheck Protection Program Individual Loan Listing for Non Depository Institutions**

| Customer Identification #: | 123456789 |
| Borrower Name: | ABC Inc. |
| Address: | Street Address or PO BOX of Pledging Borrower |
| City, State and Zip: | City, State ZIP of Pledging Borrower |
| Applicable Regional FHLB: | N/A - Not Applicable |

| Origination Date of Pledged Loan Pool: | 4/29/2020 |
| As-of Date: | 7/28/2020 |

<table>
<thead>
<tr>
<th>Obligation / Loan Number</th>
<th>SBA Loan Number</th>
<th>Borrower Name</th>
<th>Original Par Amount</th>
<th>Current Outstanding Principal Balance</th>
<th>Maturity Date</th>
<th>Interest Next Due Date</th>
<th>Principal Next Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>123456-000</td>
<td>99999999-00</td>
<td>Small Business A Name</td>
<td>$3,000,000.00</td>
<td>$300,000.00</td>
<td>4/28/2022</td>
<td>12/1/2020</td>
<td>12/1/2020</td>
</tr>
<tr>
<td>321644-000</td>
<td>99999999-05</td>
<td>Small Business B Name</td>
<td>$2,000,000.00</td>
<td>$ -</td>
<td>4/28/2022</td>
<td>12/1/2020</td>
<td>12/1/2020</td>
</tr>
<tr>
<td>3963852-000</td>
<td>99999999-03</td>
<td>Small Business C Name</td>
<td>$1,200,000.00</td>
<td>$1,200,000.00</td>
<td>4/28/2022</td>
<td>12/1/2020</td>
<td>12/1/2020</td>
</tr>
</tbody>
</table>

**Summary Information**

- **Total:** $6,200,000.00
- **Total Principal:** $1,500,000.00

**Notes:**
- All fields are required.
- Interest Next Due and Principal Next Due Date (Columns G and H) must be populated once loan(s) are eligible for payments under the terms of the PPP program. If payments include both interest and principal, only one next payment due date column is necessary.
- The summary information items are shown with applicable formulas.
- **DO NOT** alter the form in any way other than to add more rows for individual loan information.

(rev 4/30/2020)
Example Paydown 1:
Interest Calculation

- **Interest accrual**
  - Accrued and unpaid interest is calculated based on the prepayment amount.
  - **Interest on a PPPLF advance accrues daily** beginning when the PPPLF advance is credited to the PPPLF participant’s designated account at a Reserve Bank. (determines number of days)
  - The prepayments (including payment of the accompanying accrued and unpaid interest) will be processed when the PPPLF participant reports a change to the Reserve Bank in the balance of the PPP loans pledged to secure the PPPLF advance.
  - Interest accrues daily until the PPPLF advance is fully repaid. The daily accrued interest is rounded to whole cents before being totaled across days outstanding.

For example, the daily accrued interest on a PPPLF advance of $1 million is round($ 1,000,000 * (.0035 / 365),2)*1 = $ 9.59
Example Paydown 1: Illustration of Interest Calculation and Prepayment Amount

- $4,704,101.37 will be debited from the participant’s PPPLF account on July 30, 2020.
  - Prepayment amount = PPPLF advance prepayment amount ($4.7 million) + accrued interest as of July 30, 2020 or 91 days ($4,101.37):
    - Accrued and unpaid interest is applied to the prepayment Amount ($4,700,000)
    - Interest on the advance accrues daily from the date of credit to the borrower’s account (PPPLF Advance extended on April 30, 2020, and Reserve Bank prepayments PPPLF advance on July 30, 2020, or 91 days from start date of advance)
  - Example accrued interest calculation of $4.7 million = $4,101.37:
    - [PPPLF advance prepayment amount * (0.0035/365), rounded * number of days of advance] =round($4,700,000*(0.0035/365),2) *91

<table>
<thead>
<tr>
<th>Obligation / Loan Number</th>
<th>SBA Loan Number</th>
<th>Borrower Name</th>
<th>Original Par Amount</th>
<th>Original Submission Outstanding Principal Balance</th>
<th>SBA Forgiveness payment/ PPP loan reduction/ PPPLF Advance prepayment amount</th>
<th>Remaining Outstanding Principal Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>123456-000</td>
<td>999999999-00</td>
<td>Small Business A Name</td>
<td>$3,000,000.00</td>
<td>$3,000,000.00</td>
<td>$2,700,000.00</td>
<td>$300,000.00</td>
</tr>
<tr>
<td>321444-000</td>
<td>999999999-05</td>
<td>Small Business B Name</td>
<td>$2,000,000.00</td>
<td>$2,000,000.00</td>
<td>$2,000,000.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>963852-000</td>
<td>999999999-03</td>
<td>Small Business C Name</td>
<td>$1,200,000.00</td>
<td>$1,200,000.00</td>
<td>$0.00</td>
<td>$1,200,000.00</td>
</tr>
</tbody>
</table>

| PPPLF Advance:          | $6,200,000.00     | $6,200,000.00       | $4,700,000.00       | $4,101.37                                       | $1,500,000.00                                                          |

Accrued PPPLF interest paid on July 30
## Example Paydown 1: Summary

<table>
<thead>
<tr>
<th>PPPLF Paydown Recap</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Began with current outstanding principal balance</td>
<td>$6,200,000</td>
</tr>
<tr>
<td>2. PPPLF participant receives SBA forgiveness payments on PPP Loans</td>
<td>$4,700,000</td>
</tr>
<tr>
<td>3. PPPLF participant submits remaining principal balance to Federal Reserve</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>• Transmittal Form</td>
<td></td>
</tr>
<tr>
<td>• Loan Listing</td>
<td></td>
</tr>
<tr>
<td>4. Federal Reserve processes payment on PPPLF advance</td>
<td>$4,704,101.37</td>
</tr>
<tr>
<td>• Debits participant’s master account or correspondent account</td>
<td></td>
</tr>
<tr>
<td>• Debit includes PPPLF prepayment amount and accrued interest</td>
<td></td>
</tr>
</tbody>
</table>
Additional information about the reductions transmittal form

• A separate reductions transmittal form is needed for each PPPLF advance. A PPPLF advance is defined by the maturity date of the PPP loan pool that is pledged to support the advance, the number of loans in the original PPP loan pool, and the original total par amount.

• The revalued pledge pool must include only those PPP loans that were included in the original pledge, less any that have been withdrawn or fully paid off.
  – Any loans left off the transmittal form will be considered withdrawn or paid off, even if there has been no balance change.

• Substitution of PPP loans that were not originally pledged is not permitted, any such added loans will be removed, and the PPPLF advance will be reduced accordingly.
Example Paydown 2: Illustration Additional Reduction of Outstanding PPPLF Principal Balance

- SBA forgiveness payment 2 – Late August 2020, PPPLF participant receives SBA forgiveness payments and pays down the PPP loans

- PPPLF participant reports PPP loan payments to lending Federal Reserve Bank – late August

- Reserve Bank debits master account and reduces PPPLF loan amount – Federal Reserve processes payment on PPPLF advance on August 31, 2020, 17 weeks or 123 days after advance

<table>
<thead>
<tr>
<th>Obligation / Loan Number</th>
<th>SBA Loan Number</th>
<th>Borrower Name</th>
<th>Original Par Amount</th>
<th>Original Submission Outstanding Principal Balance</th>
<th>Share of PPP loan reduction</th>
<th>SBA Forgiveness payment/ PPP loan reduction/ PPPLF Advance prepayment amount</th>
<th>Remaining Outstanding Principal Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>123456-000</td>
<td>99999999-00</td>
<td>Small Business A Name</td>
<td>$3,000,000.00</td>
<td>$3,000,000.00</td>
<td>90.000%</td>
<td>$2,700,000.00</td>
<td>$300,000.00</td>
</tr>
<tr>
<td>321644-000</td>
<td>99999999-05</td>
<td>Small Business B Name</td>
<td>$2,000,000.00</td>
<td>$2,000,000.00</td>
<td>100.000%</td>
<td>$2,000,000.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>963852-000</td>
<td>99999999-03</td>
<td>Small Business C Name</td>
<td>$1,200,000.00</td>
<td>$1,200,000.00</td>
<td>0.000%</td>
<td>$0.00</td>
<td>$1,200,000.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$6,200,000.00</td>
<td></td>
<td></td>
<td>$4,700,000.00</td>
<td>$1,500,000.00</td>
</tr>
</tbody>
</table>
Example Paydown 2: Illustration of Additional Reduction of PPPLF Balance (cont.)

- Late August, PPPLF participant receives an additional forgiveness payment
- The illustration below shows the participant receipt of SBA forgiveness payment
- PPP loan amounts are reduced, which triggers reporting to the Federal Reserve:
  - Updated outstanding principal balance
  - Updated balance of each PPP loan

<table>
<thead>
<tr>
<th>Obligation / Loan Number</th>
<th>SBA Loan Number</th>
<th>Borrower Name</th>
<th>Original Par Amount</th>
<th>Outstanding Principal Balance after Paydown 1</th>
<th>Share of PPP loan reduction</th>
<th>Remaining Outstanding Principal Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>123456-000</td>
<td>999999999-00</td>
<td>Small Business A Name</td>
<td>$ 3,000,000.00</td>
<td>$ 300,000.00</td>
<td>0.00000%</td>
<td>$300,000.00</td>
</tr>
<tr>
<td>321644-000</td>
<td>999999999-05</td>
<td>Small Business B Name</td>
<td>$ 2,000,000.00</td>
<td>$ -</td>
<td>0.00000%</td>
<td>$0.00</td>
</tr>
<tr>
<td>963852-000</td>
<td>999999999-03</td>
<td>Small Business C Name</td>
<td>$ 1,200,000.00</td>
<td>$ 1,200,000.00</td>
<td>75.00000%</td>
<td>$900,000.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$ 1,500,000.00</td>
<td>$900,000.00</td>
<td></td>
<td>$600,000.00</td>
</tr>
</tbody>
</table>
Example Paydown 2: Participant Submits Reduction Transmittal Form and Loan Listing

- Late August, PPPLF participant receives an additional forgiveness payment

The PPP loan pool described below is pledged to secure an outstanding PPPLF advance. Consistent with the terms and conditions of the PPPLF, as modified from time to time, the corresponding PPPLF advance will be prepaid as the principal balance of the pledged PPP loan pool declines and accrued interest will be charged.

I, an individual authorized to pledge collateral and request PPPLF advances pursuant to the Authorizing Resolution or the Borrower’s PPPLF Letter of Agreement (“Authorized Individual”), hereby affirm that:

a) All loans included in the pledge are owned by and are in the custody of Borrower and maintained free of any adverse claim; and

b) All individual loans in the aggregate current outstanding principal balance below are listed in the accompanying individual loan listing.

Note: PPP loans not included in the original pledge are not permitted to be substituted to offset PPP loans that have been paid off or paid down. In addition, PPP loans reported with a zero balance or PPP loans not included in the detailed pool listing(s) but were included in the original pledged PPP loan listing will be considered paid off for purposes of prepaying the advance and cannot be added back to the PPP loan pool at a future date.

Do not add rows to this form. A separate transmittal form is required for each payment request to align with the updated collateral listing.

<table>
<thead>
<tr>
<th>AS-OF-DATE (date the attached detailed listing was generated)</th>
<th>PPP Loan Pool Maturity Date</th>
<th>Number of Loans in original PPP Loan Pool</th>
<th>Original Par Amount at submission</th>
<th>Number of Loans Remaining in PPP Loan Pool</th>
<th>Aggregate Current Outstanding Principal Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>8/28/2020</td>
<td>4/29/2022</td>
<td>3</td>
<td>$6,200,000</td>
<td>2</td>
<td>$600,000</td>
</tr>
</tbody>
</table>

Submission:
Each Transmittal Form and accompanying individual loan files must be e-mailed to the Federal Reserve Bank by an Authorized Individual.
Example Paydown 2: Participant Submits Reduction Transmittal Form and Loan Listing (cont.)

- Late August, PPPLF participant receives an additional forgiveness payment

Paycheck Protection Program Individual Loan Listing for Non Depository Institutions

Customer Identification #: 123456789
Borrower Name: ABC Inc.
Address: Street Address or PO BOX of Pledging Borrower
City, State and Zip: City, State ZIP of Pledging Borrower

Applicable Regional FHLLB: N/A - Not Applicable

<table>
<thead>
<tr>
<th>Obligation / Loan Number</th>
<th>SBA Loan Number</th>
<th>Borrower Name</th>
<th>Original Par Amount</th>
<th>Current Outstanding Principal Balance</th>
<th>Maturity Date</th>
<th>Interest Next Due Date</th>
<th>Principal Next Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>123456-000</td>
<td>999999999-00</td>
<td>Small Business A Name</td>
<td>$3,000,000.00</td>
<td>$300,000.00</td>
<td>4/29/2022</td>
<td>12/1/2020</td>
<td>12/1/2020</td>
</tr>
<tr>
<td>321844-000</td>
<td>999999999-05</td>
<td>Small Business B Name</td>
<td>$2,000,000.00</td>
<td>-</td>
<td>4/29/2022</td>
<td>12/1/2020</td>
<td>12/1/2020</td>
</tr>
<tr>
<td>963852-000</td>
<td>999999999-03</td>
<td>Small Business C Name</td>
<td>$1,200,000.00</td>
<td>$300,000.00</td>
<td>4/29/2022</td>
<td>12/1/2020</td>
<td>12/1/2020</td>
</tr>
</tbody>
</table>

Summary Information: $6,200,000.00
$600,000.00

:: All fields are required.
:: Interest Next Due and Principal Next Due Date (Columns G and H) must be populated once loan(s) are eligible for payments under the terms of the PPP program. If payments include both interest and principal, only one next payment due date column is necessary.
:: The summary information items are shown with applicable formulas.
:: DO NOT alter the form in any way other than to add more rows for individual loan information
(Rev 4/30/2020)
Example Paydown 2: Federal Reserve Prepayment on PPPLF Advance

- $901,061.49 will be debited from the borrower’s PPPLF account on August 31, 2020
  - Prepayment amount = PPPLF advance prepayment amount ($900,000) + accrued interest as of August 31, 2020, or 123 days ($1,061.49)
    - Accrued and unpaid interest is applied to the prepayment amount ($900,000)
    - Interest on the advance accrues daily from the date of credit to the borrower’s account (PPPLF Advance extended on April 30, 2020 and Reserve Bank processes payment on the PPPLF advance on August 31, 2020, or 123 days from start date of advance)
  
  - Example accrued interest calculation of $900,000 = $1,061.49
    - [PPPLF advance prepayment amount * (0.0035/365)], rounded * number of days of advance
      round($900,000 * (0.0035/365),2) * 123
Additional information to complete the reporting process

• The reductions transmittal form and loan listing must be submitted by email, from the email account of an individual authorized in the PPPLF letter of agreement to pledge PPPLF collateral and request PPPLF advances on behalf of the borrower.

• A PPPLF prepayment (debit) will generally be made on the same business day as the submission of the reductions transmittal form and associated individual loan listing. Lending Reserve Banks will be contacting PPPLF participants to setup weekly reporting schedules.

• Prepayments will take the form of a debit to the master account of the PPPLF participant, or to the master account of the PPPLF participant’s correspondent, in an amount equal to the prepayment and any associated accrued and unpaid interest.
Additional information on the PPPLF available in FAQs

Please address additional questions to the relevant Reserve Bank.

<table>
<thead>
<tr>
<th>Participant Entity Type</th>
<th>Reserve Bank</th>
<th>Email Address &amp; Telephone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depository Institution</td>
<td>The appropriate Reserve Bank in whose District it is located.</td>
<td></td>
</tr>
</tbody>
</table>
| Non-bank Community Development Financial Institution (CDFI) - certified by the U.S. Department of the Treasury | Federal Reserve Bank of Cleveland     | Email: clev.pplfcredit@clev.frb.org  
Telephone: (866) 719-4036 |
| Small Business Lending Company (SBLC) - licensed and regulated by the Small Business Administration | Federal Reserve Bank of Minneapolis    | Email: mpls.credit@mpls.frb.org     
Telephone: (877) 837-8815 |
| Agricultural Credit Association (ACA) - member of the Farm Credit System |                        |                                    |
| Other, none of the above apply to my institution             | Federal Reserve Bank of San Francisco  | Email: ppplfcredit@sfb.frb.org      
Telephone: (866) 974-7475 |

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Thank you for submitting questions

• What is the capital treatment for purchased PPP loans that are pledged to the PPPLF?

• Upon what information may PPPLF participants rely for the purpose of certifying that they are not insolvent and that they cannot obtain adequate credit accommodations from other banking institutions?
To ask a question

- Use the chat feature in the webinar (Ask Question button on bottom of screen)

- Email your question to: questions@askthefed.org

- Use the “Ask a Question” feature on the Ask the Fed® website: www.askthefed.org
References

- https://www.frbdiscountwindow.org/generalpages/nondi_ppplf
- https://www.frbdiscountwindow.org/pages/general-information/faq#list-item-1
APPENDIX: PPPLF participants are required to certify that they are not insolvent and that they cannot obtain adequate credit accommodations from other banking institutions

_Not Insolvent:_
- For a PPPLF participant to comply with the requirement for certifying that it is not insolvent, the PPPLF participant may certify that it is not (1) in bankruptcy, resolution under Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or any other Federal or State insolvency proceeding, and that it is not (2) generally failing to pay undisputed debts as they become due during the 90 days preceding the date of borrowing under PPPLF. This certification of non-insolvency is required under section 13(3) of the Federal Reserve Act, which is the authority under which the PPPLF was authorized.

_Lack of Adequate Credit Accommodations:_
- For a PPPLF participant to comply with the requirement for certifying that it lacks adequate credit accommodations from other banking institutions, the PPPLF participant may rely on current economic or market conditions, including conditions related to the availability and price of credit available to small businesses in light of the COVID-19 pandemic. A PPPLF participant is not required to certify that credit is unavailable. Rather, the PPPLF participant can rely on the fact that credit is not available at prices or on conditions that are consistent with the purposes of the PPPLF or with normal market conditions. In particular, a PPPLF participant may rely on the fact that the Board of Governors authorized the establishment of the PPPLF to improve the ability of PPP lenders to obtain reasonably priced long-term financing for PPP Loans.
Thanks for joining us.

www.askthefed.org