

The Paycheck Protection Program Liquidity Facility (PPPLF): Overview and Updates following the Resumption of the Paycheck Protection Program in 2021

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Welcome

Logistics

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- Webinar: <https://www.webcaster4.com/Webcast/Page/584/39675>
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Webinar

- You can listen through your PC or dial in to the phone.
- **Closed Captioning** is available for today's webinar.
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How We'll Take Questions

- 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

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The Federal Reserve established the PPPLF

The screenshot shows the top portion of the Board of Governors of the Federal Reserve System website. At the top, the title "Board of Governors of the Federal Reserve System" is displayed in white on a dark blue background, with a tagline below it: "The Federal Reserve, the central bank of the United States, provides the nation with a safe, flexible, and stable monetary and financial system." Below this is a navigation menu with links for "About the Fed", "News & Events", "Monetary Policy", "Supervision & Regulation" (which is highlighted with a star), "Payment Systems", "Economic Research", "Data", and "Consumers & Communities".

Below the navigation menu, a breadcrumb trail reads "Home > Monetary Policy > Policy Tools". The main heading for the page is "Policy Tools".

The primary content area features the title "Paycheck Protection Program Liquidity Facility (PPPLF)". The text below explains that to bolster the effectiveness of the Small Business Administration's Paycheck Protection Program (PPP), the Federal Reserve is supplying liquidity to participating financial institutions through term financing backed by PPP loans to small businesses. It states that the PPPLF will extend credit to eligible financial institutions that originate PPP loans, taking the loans as collateral at face value.

A list of links follows:

- [Term Sheet \(November 30, 2020\) \(PDF\)](#)
- [FAQs](#)
- For additional information visit: <https://www.frbdiscountwindow.org>

Below the list is the section "Reports to Congress" with a link:

- [Periodic Report: Update on Outstanding Lending Facilities Authorized by the Board under](#)

On the right side of the page, there is a "Related Content" box containing a link to "COVID-19 Frequently Asked Questions".

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/policy-issues/cares/assistance-for-small-businesses>; and
- <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>



Translate SBA en Esp

[Business Guide](#) [Funding Programs](#) [Federal Contracting](#) [Learning Center](#)

The CARES Act Provides Assistance to Small Businesses

The Paycheck Protection Program is providing small businesses with the resources they need to maintain their payroll, hire back employees who may have been laid off, and cover applicable overhead.

Paycheck Protection Program

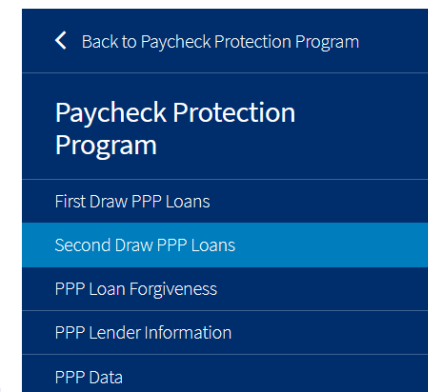
An SBA loan that helps businesses keep their workforce employed during the Coronavirus (COVID-19) crisis.

What is staying the same: PPPLF bolsters the effectiveness of the PPP

- The PPPLF provides term funding collateralized by PPP loans.
- The PPPLF Term Sheet is available on the Board of Governors' website: <https://www.federalreserve.gov/monetarypolicy/ppplf.htm> with facility parameters:
 - **The PPPLF is available to all SBA-qualified PPP lenders:** Both depository institutions and non-depository institutions are eligible.
 - Before participating in the PPPLF, all eligible participants must complete the necessary documentation.
 - **The PPPLF remains open:** No new extensions of credit will be made under the Facility after **March 31, 2021**, unless the Board and the Department of the Treasury determine to extend the Facility.

What is new: Economic Aid Act provides for additional PPP lending

- The Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (**Economic Aid Act**) authorizes the SBA to guarantee additional loans under the PPP, which was originally established under the CARES Act. The Economic Aid Act:
 - Extends the authority to make PPP loans through March 31, 2021; and
 - Added a PPP Second Draw Loan Program for PPP borrowers who previously received a PPP loan (First Draw PPP Loan).
- The SBA website includes information on:
 - First Draw PPP Loans (including reapplying and loan increases),
 - Second Draw PPP Loans, and
 - PPP Loan Forgiveness.



PPPLF is accepting the newly authorized PPP loans

- Eligible PPP lenders may pledge any SBA-guaranteed PPP loans that they have originated or purchased as PPP collateral to obtain a PPPLF extension of credit.
- Eligible PPP loans include second draw loans or loans increased pursuant to the Economic Aid Act.
- Things to be aware of when pledging new or modified PPP loans:
 - Both the **maturity** and the **values** of a PPPLF advance must match those of the PPP loan(s) underlying that advance.
 - If any of the PPP loan(s) pledged to secure a PPPLF advance are modified in any way, the PPPLF advance must be adjusted accordingly.
 - Pledging new PPP loans will require PPPLF participants to update some related documentation.

Ask the Fed[®] sessions may be useful resources to learn about PPPLF procedures

- The remainder of today's Ask the Fed[®] will focus on two PPPLF updates and enhancements.
 1. Updates to the **PPPLF Letter of Agreement (LOA)** as amended January 14, 2021
 2. Streamlined **pledging process** (to submit PPP loans as collateral and request an advance from the PPPLF)
- Prior Ask the Fed[®] sessions are available for additional background on the PPPLF, including a review of the process for reporting PPP loan reduction payments and the matching PPPLF advance reduction.
 - April 17, 2020: operational details about pledging collateral to PPPLF for depository institutions.
 - May 6, 2020: high-level overview of PPPLF and operational details about pledging collateral for PPPLF advances for non-depository institutions
 - May 20, 2020: update on pledging purchased PPP loans for all eligible PPPLF participants.
 - September 18, 2020: update on reporting requirements and paydown process for all eligible PPPLF participants

An updated PPPLF Letter of Agreement is available

- **Any** PPPLF participant who plans to request a new advance under the PPPLF on or after January 14, 2021, must execute an updated Letter of Agreement amended January 14, 2021 (Amended LOA).
 - The Amended LOA for depository institutions and Amended LOA for non-depository institutions, along with sample forms, are posted to the PPPLF website.
 - Updated PPPLF Borrowing Documentation Guides describe how to fill out and submit the documents necessary to qualify for the PPPLF.
- The participant does *not* need to submit a Borrower Certification with the Amended LOA if the participant has previously submitted a Borrower Certification for the PPPLF.

A quick note about LOA section titled “For Borrower’s Depository Institution”...

- All non-depository institutions must designate a depository institution that has a master account with a Reserve Bank that will serve as its PPPLF correspondent in the Amended LOA.
- If a designated depository institution has already been established for the PPPLF, this section of the letter of agreement **does not** need to be completed.

The pledging process has been streamlined

- Effective January 15, 2021, a single PPPLF PPP **Pledge and Advance Request Form** (Advance request) replaces the two forms (Transmittal Form to Pledge Collateral and Request Advance and the Paycheck Protection Program Individual Loan Reporting Table) that were used starting in April 2020.
- This Advance request form is used to submit underlying SBA loans pledged as collateral and to request an advance from the PPPLF. PPP loans must be pooled by maturity date, and only one maturity pool can be submitted per pledge and advance request form.
 - Updated Operational Guides have been posted that describe how to fill out and submit this form.

Sample Pledge and Advance Request Form

Paycheck Protection Program Liquidity Facility PPP Pledge and Advance Request

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

On behalf of the Borrower, I further certify that: a) All loans included in the pledge are owned by and are in the custody of the Borrower and maintained free of any claim adverse to the Federal Reserve Bank; and b) A new collateral listing will be submitted to report reductions in current outstanding principal at a frequency determined by the Federal Reserve Bank

SBA PPP Loans must be pooled by maturity date. Only one maturity pool may be submitted per pledge/advance request. Once a maturity pool has been submitted, no additions to the pool will be accepted. Each pledge/advance request must be e-mailed to the Federal Reserve Bank by an Authorized Individual. A separate e-mail is required for each advance and an advance will typically be processed on the day following receipt of a request.

**** Check the Purchased PPP Loan Indicator 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.**

**** All fields in the form below are required. Interest 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 due date column is necessary. Do Not alter the form or formulas in any way other than to add more rows for individual loan information.****

TO: Federal Reserve Bank of Cleveland
(FRB)

Purchased PPP Loan Indicator

FROM: Jane Smith, Vice President
(Name and Title of Authorized Individual)

PLEDGE INFORMATION

123456789 (ABA # or CIN #)

Origination / Issue Date of SBA Loans in Pool: 1/14/2021
(origination date should match the date on the promissory note) (mm/dd/yyyy)

ABC Inc. (Name of Participant)

1212 NonDIRoad (Street Address or P.O. Box)

NonDICity, NonDIState 11221 (City, State and Zip)

Valuation As-of Date: 1/15/2021
(mm/dd/yyyy)

N/A - Not Applicable

(Applicable Regional FHLB)

Number of SBA Loans in Pledge: 3
(#)

PPP Loan Listing Section

Total: Par Amount \$ 6,200,000.00 Advance Amount \$ 6,200,000.00
(DO NOT MODIFY AMOUNTS OR FORMULAS)

SBA Loan Count 3
(DO NOT MODIFY)

Lending Institution's Loan Number	10-Digit SBA Loan Number	Small Business Borrower Name	Original Par Amount	Current Outstanding Principal Balance	Maturity Date	Interest Next Due Date	Principal Next Due Date
123456-000	1234567893	Roger Smith	\$ 3,000,000.00	\$ 3,000,000.00	1/14/2026		
321644-000	1234567894	Jimmy Roberts	\$ 2,000,000.00	\$ 2,000,000.00	1/14/2026		
963852-000	1234567895	Sally Grimm	\$ 1,200,000.00	\$ 1,200,000.00	1/14/2026		

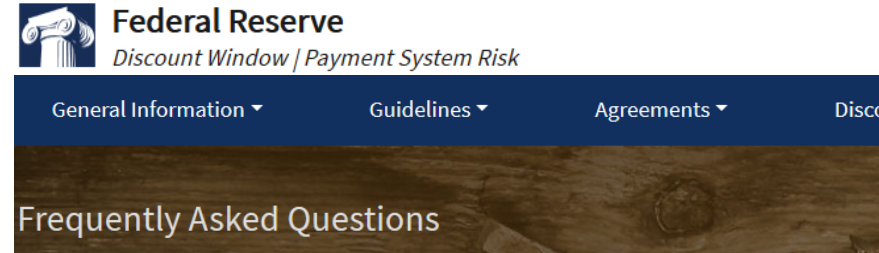
PPPLF information can be accessed easily from <https://www.frbdiscountwindow.org/>

The screenshot shows the Federal Reserve Discount Window website. At the top left is the Federal Reserve logo and the text "Federal Reserve Discount Window | Payment System Risk". A search bar is located at the top right. Below the header is a navigation menu with tabs for "General Information", "Guidelines", "Agreements", "Discount Rates", "Collateral", and "Payment System Risk". The main content area displays four interest rate categories in a 2x2 grid:

Primary Credit 0.25%	Secondary Credit 0.75%
Seasonal Credit 0.10%	Fed Funds Target 0.00-0.25%



Additional information on the PPPLF available in FAQs



Paycheck Protection Program Liquidity Facility (PPPLF)

To bolster the effectiveness of the Small Business Administration's Paycheck Protection Program (PPP), the Federal Reserve is supplying liquidity to participating financial institutions through term financing backed by PPP loans to small businesses. The PPP provides loans to small businesses so that they can keep their workers on the payroll. The Paycheck Protection Program Liquidity Facility (PPPLF) will extend credit to eligible financial institutions that originate PPP loans, taking the loans as collateral at face value.

- [Term Sheet \(November 30, 2020\) \(PDF\)](#)
- [FAQs](#)
- For additional information visit: <https://www.frbdiscountwindow.org>

Please address additional questions to relevant Reserve Bank

NEW Paycheck Protection Program Liquidity Facility (PPPLF)

Why did the Federal Reserve establish the PPPLF?

How will the PPPLF work?

Participant Entity Type	Reserve Bank	Email Address & Telephone
<ul style="list-style-type: none"> • Depository Institution 	The appropriate Reserve Bank is the Reserve Bank in whose District it is located. See Regulation D, 12 CFR 204.3(g)(1)-(2) , for information on determining the District in which the depository institution is located.	
<ul style="list-style-type: none"> • Non-bank Community Development Financial Institution (CDFI) - certified by the U.S. Department of the Treasury 	Federal Reserve Bank of Cleveland	Email: clev.pppplfcredit@clev.frb.org Telephone: (888) 719-4636
<ul style="list-style-type: none"> • Small Business Lending Company (SBLC) - licensed and regulated by the Small Business Administration • Agricultural Credit Association (ACA) - member of the Farm Credit System 	Federal Reserve Bank of Minneapolis	Email: mpls.credit@mpls.frb.org Telephone: (877) 837-8815
<ul style="list-style-type: none"> • Other; none of the above apply to my institution 	Federal Reserve Bank of San Francisco	Email: ppplfcredit@sf.frb.org Telephone: (866) 974-7475

Thank you for submitting questions

- Currently, the PPPLF term sheet specifies that “No new extensions of credit will be made under the Facility after March 31, 2021.” Will this date be extended, and what will that date be?
- Are the procedures/mechanics of the PPPLF still the same in 2021 as they were in 2020, or have there been changes?

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.federalreserve.gov/monetarypolicy/ppplf.htm>
- <https://www.frbdiscountwindow.org/generalpages/emergency%20credit%202020>
- https://www.frbdiscountwindow.org/generalpages/nondi_ppplf
- <https://www.frbdiscountwindow.org/pages/general-information/faq#list-item-1>
- <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>
- <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>

Thanks for joining us.

www.askthefed.org