

Board of Governors of the Federal Reserve System

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Press Release



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The Federal Reserve Board on Tuesday announced that, starting in July, certain high-quality commercial mortgage-backed securities issued before January 1, 2009 (legacy CMBS) will become eligible collateral under the Term Asset-Backed Securities Loan Facility (TALF).

The TALF is designed to increase credit availability and support economic activity in part by facilitating renewed issuance of consumer and business asset-backed securities (ABS) and CMBS. The Board authorized the TALF on November 24, 2008, under section 13(3) of the Federal Reserve Act. Under the TALF, the Federal Reserve Bank of New York (FRBNY) has extended loans secured by triple-A-rated newly issued ABS backed by certain consumer and business loans and leases. On May 1, 2009, the Board announced it would expand the range of acceptable TALF collateral to include newly issued CMBS starting with the June subscription.

On March 23, 2009, the Federal Reserve announced that it would evaluate extending the list of eligible collateral for TALF loans to include certain legacy securities. The objective of the expansion is to restart the market for legacy securities and, by doing so, stimulate the extension of new credit by helping to ease balance sheet pressures on banks and other financial institutions. Tuesday's announcement marks the first addition of a legacy asset class to the list of eligible TALF collateral.

The CMBS market, which has financed approximately 20 percent of outstanding commercial mortgages, including mortgages on offices and multi-family residential, retail and industrial properties, came to a standstill in mid-2008. The extension of eligible TALF collateral to include legacy CMBS is intended to promote price discovery and liquidity for legacy CMBS. The resulting improvement in legacy CMBS markets should facilitate the issuance of newly issued CMBS, thereby helping borrowers finance new purchases of commercial properties or refinance existing commercial mortgages on better terms.

To be eligible as collateral for TALF loans, legacy CMBS must be senior in payment priority to all other interests in the underlying pool of commercial mortgages and, as detailed in the attached term sheet, meet certain other criteria designed to protect the Federal Reserve and the Treasury from credit risk. The FRBNY will review and reject as collateral any CMBS that does not meet the published terms or otherwise poses unacceptable risk.

Eligible newly issued and legacy CMBS must have at least two triple-A ratings from DBRS, Fitch Ratings, Moody's Investors Service, Realpoint, or Standard Poor's and must not have a rating below triple-A from any of these rating agencies. More broadly, the Federal Reserve is formalizing procedures for determining the set of rating agencies whose ratings will be accepted for various types of eligible collateral in the Federal Reserve's credit programs.

The initial subscription date for TALF loans collateralized by newly issued CMBS will be June 16, 2009. The subsequent subscription dates for TALF loans collateralized by newly issued and legacy CMBS will be announced in advance. The subscription date for loans collateralized by all other ABS will remain toward the beginning of the month.

A new term sheet and a frequently-asked-questions document, specific to legacy CMBS, are attached. Also attached are a revised term sheet and frequently-asked-questions document for newly issued asset-backed securities and CMBS.

[Term Asset-Backed Securities Loan Facility \(Legacy CMBS\): Terms and Conditions](#)

[Term Asset-Backed Securities Loan Facility \(Legacy CMBS\): Frequently Asked Questions](#)

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