

Frequently Asked Questions

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NEW Paycheck Protection Program Liquidity Facility (PPPLF)

Why did the Federal Reserve establish the PPPLF?

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The Federal Reserve established the Paycheck Protection Program Liquidity Facility, or PPPLF, under section 13(3) of the Federal Reserve Act to bolster the effectiveness of the Small Business Administration's Paycheck Protection Program ("PPP"), which provides relief to American workers and businesses. Under the PPPLF, the Federal Reserve will supply liquidity to participating financial institutions through term financing backed by PPP loans.

How will the PPPLF work?

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To facilitate the extension of PPP loans to small businesses and other eligible borrowers ("PPP borrowers"), the Federal Reserve will provide non-recourse loans to all lenders that are eligible to originate PPP loans ("PPP lenders"). PPP lenders that obtain PPPLF extensions of credit will pledge the PPP loans as collateral to the Federal Reserve to secure the PPPLF extensions of credit. The PPPLF will take the PPP loans as collateral at face value.

How do amendments to the PPP enacted by the Paycheck Protection Program Flexibility Act of 2020 (the PPP Flexibility Act) affect the PPPLF?

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The PPP Flexibility Act amends several provisions of the PPP under the CARES Act, including an extension of the maturity of a PPP loan and an extension of the forgiveness period. Under the PPP Flexibility Act, the maturity of PPP loans made on or after June 5, 2020, is now five years instead of two. A PPP lender and a PPP borrower also may mutually agree to extend the maturity of an existing PPP loan from two to five years.

As described in the [PPPLF term sheet](#), the maturity of an extension of credit under the PPPLF will equal the maturity of the PPP loan pledged to secure the extension of credit. Accordingly, PPPLF advances may have a 5-year maturity when secured by a pledge of PPP loans also with a 5-year maturity.

Additional instructions for reporting requirements for pledged PPP loans with modified maturities are available on the [PPPLF website](#). *(Updated 9/25/2020)*

If a PPP lender and PPP borrower agree to extend the maturity of an existing PPP loan that is pledged to the PPPLF from two years to five years, must the PPPLF participant report the new maturity date to the Reserve Bank?

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Yes. The maturity date of a PPPLF advance must match the maturity date of the PPP loans pledged to secure the advance. Once the maturity date of a PPP loan that is pledged to the PPPLF is modified from two years to five years, that PPP loan is no longer eligible as collateral for the original two-year PPPLF advance. PPPLF participants that modify the maturity of PPP loans pledged to the Reserve Bank must therefore report such modifications to the lending Reserve Bank.

When a PPPLF participant modifies the maturity of a PPP loan from two to five years, the participant must either (i) withdraw the modified PPP loan from its collateral pool, or (ii) move the modified PPP loan into a new collateral pool to secure a PPPLF advance with the same maturity as the modified PPP loan. In both cases, the PPPLF participant must pay down the portion of the original PPPLF advance secured by the modified PPP loan (plus accrued interest). Additional instructions for reporting modified PPP loans to a lending Reserve Bank are available on the [PPPLF website](#).

A participant also may obtain more information about modifying the maturity of a PPPLF advance secured by a modified PPP loan by contacting the participant's lending Reserve Bank. *(Added 9/25/2020)*

How do amendments to the PPP enacted by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act affect the PPPLF?

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The PPPLF will continue to be available to eligible participants that pledge any SBA-guaranteed PPP Loans that they have originated or purchased, which may include second draw loans or loans that are increased pursuant to the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act. All PPP loans pledged to the PPPLF must meet all applicable SBA and PPPLF requirements. The SBA determines what types of entities are eligible to participate in the PPP. The [PPPLF program website](#) contains all of the documents and requirements for participation in the PPPLF.

Additional information related to the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act will be published on the [PPPLF page on FRB Discount window.org](#). *(Added 1/7/2021)*

Does the PPPLF lend directly to small businesses that are eligible borrowers under the PPP?

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No.

How is the PPPLF different from the PPP?

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The PPP is the program administered by the Small Business Administration (SBA), under which PPP lenders make loans to eligible small businesses and the SBA guarantees the payment of principal and interest on those loans. The PPPLF is a facility established by the Federal Reserve to provide support for the PPP program by making non-recourse loans to PPP lenders secured by PPP loans.

How is the PPPLF different from primary credit, the main discount window lending program for depository institutions?

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The PPPLF differs from primary credit lending to depository institutions in a number of ways. The primary credit program accepts a wide range of collateral—including PPP Loans—but the PPPLF only accepts PPP loans as collateral. The primary credit program is open only to depository institutions, while the PPPLF is open to all eligible PPP lenders, both depository and non-depository institutions. In addition, primary credit loans are made with full recourse to the borrowing institution, while extensions of credit under the PPPLF are non-recourse. PPPLF extensions of credit are extended at a slightly higher rate than primary credit loans (a fixed rate of 35 basis points rather than the current primary credit rate of 25 basis points), are for a longer term (PPPLF loans are for two or five years while primary credit is available for up to 90 days), and the amount of the PPPLF extension of credit is determined based on the principal amount of the underlying PPP loan. For additional information on the primary credit facility, visit: <https://www.frbdiscowindow.org>. (Updated 6/8/2020)

How long will the PPPLF be in effect?

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No new extensions of credit will be made under the PPPLF after July 30, 2021. (Updated 6/25/2021)

Who is eligible to participate in the PPPLF?

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SBA-qualified PPP lenders—both depository institutions and non-depository institutions—are eligible to borrow under the PPPLF. Before borrowing under the PPPLF, all eligible participants must complete the necessary documentation.

How does a PPP lender sign up to participate in PPPLF?

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In order to obtain an extension of credit under the PPPLF, participants must complete the necessary documentation, which varies by type of PPPLF participant.

Depository institutions: Depository institutions must execute the [PPPLF Letter of Agreement](#) and a [certification](#) specific to section 13(3) facilities. In addition,

depository institutions that have not already established access to the discount window must deliver certified copies of the [Authorizing Resolutions for Borrowers](#) in the applicable form attached to the Federal Reserve Bank's Operating Circular No. 10 (OC 10).

Depository institutions are not required to establish ongoing access to the discount window to participate in the PPPLF. However, if a depository institution desires to establish ongoing access to the discount window in addition to participating in the PPPLF, it must submit the standard documents required by OC 10: a Letter of Agreement and a Certificate attaching copies of the institution's organizational documents. Please refer to the appendices to OC 10.

Non-depository institutions: Non-depository institutions must execute the [PPPLF Letter of Agreement for Non-Depository Institutions](#) and a [certification](#) specific to section 13(3) facilities. Non-depository institutions will agree to the terms of Federal Reserve Bank [Operating Circular No 10](#) (Lending) by executing the PPPLF Letter of Agreement for Non-Depository Institutions. As part of the PPPLF Letter of Agreement, there is a section for non-depository institutions to identify the depository institution that will act as their correspondent (a depository institution whose account will be debited and credited for PPPLF-related payments to and from the non-depository institution borrower). The depository institution identified as the correspondent must have a master account at a Reserve Bank into which the proceeds of PPPLF extensions of credit are credited and from which they are repaid. (The master account may be at any Reserve Bank.) Non-depository institutions must also deliver certified copies of the [Authorizing Resolutions for Borrowers](#). The set-up process for non-depository institutions can take up to 24 hours.

How does a PPPLF participant determine which Reserve Bank is the appropriate Reserve Bank for participating in the PPPLF?

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Depository institutions:

For depository institutions, 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.

Non-depository institutions: For non-depository institutions, the appropriate Reserve Bank is as follows:

Participant Entity Type	Reserve Bank	Email Address & Telephone
<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.ppplfcredit@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	Federal Reserve Bank of Minneapolis	Email: mpls.credit@mpls.frb.org Telephone: (877) 837-8815
<ul style="list-style-type: none">• Agricultural Credit Association (ACA) -member of the Farm Credit System		
<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

Can a PPPLF participant make revisions to the PPPLF letter of agreement certification, or borrowing resolution documents?

[View](#)

No.

How does a PPPLF participant pledge collateral and request an advance under the PPPLF?

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A PPPLF participant must assemble all PPP loans that it intends to pledge as PPPLF collateral into separate pools grouped by maturity date. For each such pool, the PPPLF participant must prepare an [Advance Request form](#), that

- i. lists the total value of the PPP loans being pledged as PPPLF collateral;
- ii. contains several important certifications that the PPPLF participant must make; and
- iii. contains the loan request for the total value of the PPP loans being submitted as collateral.

The Advance Request form includes a “PPP loan listing Section” that requires the following data elements for each individual PPP loan pledged to the pool:

- The obligation or loan number in the PPPLF borrower’s loan system
- The SBA loan number assigned by the SBA
- The PPP borrower’s name “Small Business Borrower Name”
- The original par amount of the PPP loan
- The current outstanding balance of the PPP loan (During the period of deferred PPP loan payment, current outstanding balance should equal original par)
- The maturity date of the PPP loan (All of the listed loans must have the same maturity date)
- The interest next due date (During the period of deferred PPP loan payment, may be blank)
- The principal next due date (During the period of deferred PPP loan payment, may be blank)

The Advance Request must be submitted by an individual identified in the PPPLF Letter of Agreement amended January 14, 2021, as authorized to request PPPLF extensions of credit and pledge PPPLF collateral. Submit the completed collateral forms to [your appropriate Federal Reserve Bank](#).

A separate Advance Request must be submitted in a separate email for each request for a PPPLF extension of credit and pool of PPPLF collateral. *(Amended 1/25/2021)*

Does a PPP lender have to have a master account at a Federal Reserve Bank in order to borrow under the PPPLF?

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No. However, a PPP lender that does not have a master account must establish a correspondent relationship with a depository institution that does have a master account with a Reserve Bank (the master account may be with any Reserve Bank and does not have to be a master account with the lending Reserve Bank). PPPLF participants that do not already have an established correspondent relationship must designate the depository institution that will serve as their PPPLF correspondent in the PPPLF Letter of Agreement.

If a depository institution has an existing correspondent relationship for discount window purposes, can it establish a separate correspondent relationship to borrow under the PPPLF?

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No. If a depository institution has an existing correspondent relationship for discount window purposes, the depository institution must use that same correspondent relationship for extensions of credit under the PPPLF.

How do institutions that have completed the PPPLF documents initiate an extension of credit under the PPPLF?

[View](#)

PPPLF participants obtain a PPPLF extension of credit by contacting the [appropriate Reserve Bank](#).

At what rate will credit under the PPPLF be extended?

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PPPLF extensions of credit will be extended at 35 basis points.

Is the rate fixed for the life of a PPPLF extension of credit?

[View](#)

Yes.

Are there any fees to participate in the PPPLF?

[View](#)

No.

What will be the maturity of PPPLF extensions of credit?

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The maturity date of an extension of credit under the PPPLF will equal the maturity date of the PPP loans pledged to secure the extension of credit (the maturity date of a PPP loan is either two or five years from origination of the PPP loan). The maturity date of a PPPLF extension of credit will be accelerated under certain conditions. See: the FAQ below, “Can a PPPLF participant be required to repay a PPPLF extension of credit prior to the maturity date?” In addition, if the PPP loan matures on a Saturday or a Sunday, the PPPLF extension of credit secured by that loan will mature on the previous business day. *(Updated 6/8/2020)*

Is there a limit on the total amount of credit that can be extended through the PPPLF?

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No, there is no limit to the amount of credit that can be extended under the PPPLF.

Can a PPPLF participant voluntarily prepay an extension of credit under the PPPLF?

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Yes. Voluntary prepayments must be accompanied by withdrawals of PPPLF collateral pledged to secure the PPPLF extension of credit. The amount of the prepayment must correspond to the total balance of the withdrawn PPP loans that have been pledged as PPPLF collateral. Accrued interest will be charged at prepayment, based on the amount of prepayment.

Can a PPPLF participant be required to repay a PPPLF extension of credit prior to the maturity date?

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Yes. 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; or
- The PPPLF participant has received payment from the PPP borrower of the underlying PPP loan (to the extent of the payment received).

PPPLF participants are required to repay PPPLF advances so that the outstanding amount of the PPPLF advance matches the updated aggregate collateral balance in the associated pledge pool. The amount of a PPPLF advance outstanding must not exceed the aggregate amount of the outstanding balances of PPP loans pledged to secure the PPPLF advance.

Any payments on pledged PPP loans (e.g., forgiveness or guarantee payments from the SBA, or payments from the PPP borrower) must be promptly reported to the lending Reserve Bank so that the PPPLF advance can be adjusted accordingly. Additional information on reporting requirements for payments on PPP loans and on prepayment of PPPLF extensions of credit is available on the [PPPLF website](#).
(Updated 9/16/2020)

Are there any penalties associated with prepayment of a PPPLF loan?

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No.

Will Reserve Banks accept PPP loans that have imaged or electronic rather than “wet ink” signatures as collateral to the PPPLF? If so, what types of electronic signatures are acceptable?

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Yes. The Reserve Banks expect that most, if not all, PPP loans will have electronic signatures, given the conditions in which the lending is occurring. Reserve Banks will accept PPP loans with electronic signatures (i.e., loans that are electronically originated or loans that have electronic copies of “wet ink” signatures, such as faxed or scanned copies of “wet ink” signed documents).

Will Reserve Banks accept a letter of agreement and certification for the PPPLF that have imaged or electronic rather than “wet ink” signatures? If so, what types of electronic signatures are acceptable?

View

Yes. Reserve Banks will accept PPPLF documents with electronic signatures (i.e., images that are electronic copies of “wet ink” signatures, such as faxed or scanned copies of “wet ink” signed documents, or electronic signatures with a digital date and time stamp). PPPLF participants should direct any further questions regarding imaged or electronic signatures to discount window staff at the [appropriate Reserve Bank](#).

How are PPP loans that are pledged as collateral to the PPPLF valued?

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PPP loans pledged as collateral to secure extensions of credit under the PPPLF will be valued at the principal amount of the PPP loan.

Will the Federal Reserve disclose information about the PPPLF?

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Yes. The Federal Reserve will publicly disclose information regarding the PPPLF during the operation of the facility, including information regarding participants, amounts borrowed, value of pledged collateral, overall costs and revenues, and other information. Please see the [Board’s May 12, 2020 press release](#) for further information on the disclosures.

Balance sheet items related to the PPPLF, including PPPLF credit extended, are reported weekly on an aggregated basis on the Board’s H.4.1 statistical release,

“Factors Affecting Reserve Balances of Depository Institutions and Condition Statement of Federal Reserve Banks.”

In addition, the Federal Reserve will disclose to Congress information as required by Section 13(3) of the Federal Reserve Act and the Board’s Regulation A.

PPPLF participants are required to certify that they are not insolvent and that they cannot obtain adequate credit accommodations from other banking institutions. Upon what information may PPPLF participants rely when making these certifications?

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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 the PPPLF. This certification of non-insolvency is required under section 13(3) of the Federal Reserve Act and the Board’s Regulation A, 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. A PPPLF participant may also rely on aspects of the PPPLF program to determine that funding from the

PPPLF is more “adequate,” including, for example, beneficial capital treatment for PPP loans pledged to the PPPLF.

May a PPPLF participant pledge a PPP loan as PPPLF collateral that the PPPLF participant has already pledged to another party?

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No, a PPPLF participant may not pledge any PPP loan as PPPLF collateral that has been pledged to another party without obtaining the consent of the lending Reserve Bank.

May a PPPLF participant pledge a PPP loan as PPPLF collateral if the participant funded the PPP loan using secured funding from a warehouse lender?

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No. A participant may only pledge a PPP loan to the PPPLF if there are no other claims on that loan.

Are extensions of credit under the PPPLF made with recourse to the PPPLF participant?

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No. Extensions of credit under the PPPLF are made without recourse to the PPPLF participant. The non-recourse status of the PPPLF extension of credit may change, however, if the PPPLF participant has breached any of the representations, warranties, or covenants in the PPPLF documentation; or has engaged in fraud or made a misrepresentation in connection with participation in the PPPLF.

May a PPPLF participant pledge a PPP loan that the borrower purchased from another PPP lender as collateral for an extension of credit under the PPPLF?

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Yes. Effective May 1, 2020, an eligible borrower may pledge PPP loans purchased from other lenders to the PPPLF. PPP loans must be purchased in accordance with [the SBA’s requirements for the sale and purchase of whole PPP loans](#).

If a PPPLF participant participated in the PPPLF prior to January 14, 2021, and wishes to pledge PPP collateral that the PPPLF participant has either originated or purchased, must the PPPLF participant sign a new PPPLF Letter of Agreement?

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Yes. Any PPPLF participant that plans to request a new advance under the PPPLF on or after January 14, 2021, must execute the amended Letter of Agreement, as amended January 14, 2021 (Amended Letter of Agreement). PPPLF participants that are depository institutions must execute the [amended Letter of Agreement \(Amended Letter of Agreement\) for depository institutions](#), and PPPLF participants that are non-depository institutions must execute the [amended Letter of Agreement \(Amended Letter of Agreement\) for non-depository institutions](#). (*Added 1/25/2021*)

Must a PPPLF participant submit any documentation from the SBA in order to pledge PPP loans that the PPPLF participant has purchased to the PPPLF?

[View](#)

Yes. An institution that pledges purchased PPP loans to the PPPLF must provide the Reserve Bank with copies of the SBA's "Acknowledgement of PPP Whole Loan Sale" letter and the accompanying loan list identifying each of the PPP loans sold by SBA loan number. If the institution is pledging purchased PPP loans that were purchased in more than one purchase and sale transaction, the pledging institution must submit copies of the SBA Acknowledgement of PPP Whole Loan Sale letters and the accompanying loan lists identifying each of the PPP loans sold by SBA loan number for all purchased PPP loans being pledged.

Is a PPPLF participant required to amend the SBA loan list identifying each of the PPP loans sold by SBA loan number if the PPPLF participant is not pledging all of the PPP loans listed in that loan list?

[View](#)

No, a PPPLF participant is not required to amend the purchased loan listings provided by the SBA to remove loans that are not being pledged to the PPPLF. A PPPLF participant pledge is defined by the PPP loans listed in the PPPLF individual loan listing, which is a separate document filled out and submitted by the PPPLF participant. Depository institutions should use the individual loan reporting table

for depository institutions. Non-depository institutions should use the individual loan reporting table for non-depository institutions.

May a participant under the PPPLF pledge PPP loans with the same maturity date for different PPPLF extensions of credit?

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With one exception discussed below, no. A Reserve Bank will make a single extension of credit to a PPPLF participant secured by all PPP loans submitted that mature on a single date. For example, a PPPLF participant may have a group of PPP loans that all have a maturity date of May 20, 2022. The Reserve Bank will make one extension of credit to that PPPLF participant secured by the pool of PPP loans having the May 20, 2022, maturity date. For this reason, a PPPLF participant should ensure that it simultaneously pledges all PPP loans with the same maturity date, including both own-originated and loans purchased from other PPP lenders in accordance with the SBA's requirements for the sale and purchase of whole PPP loans. A PPPLF participant will be required to obtain a separate extension of PPPLF credit for each maturity date of PPP loans that are pledged as collateral. The amount of the PPPLF extension of credit will be the aggregate amount of the PPP loans that are pledged to secure that extension of credit, and the maturity date of the PPPLF extension of credit will be the maturity date of the PPP loans that are pledged to secure it.

Exception: If a PPPLF participant already has an outstanding PPPLF advance secured by PPP loans with a maturity date prior to May 15, 2022, and subsequently wishes to pledge purchased PPP loans with that same maturity date, Reserve Banks will allow a single additional PPPLF advance secured by the purchased loans that have the same maturity date as an outstanding PPPLF advance. (*Updated 5/20/2020*)

How soon after submission of the PPPLF request for an extension of credit will the proceeds of the PPPLF extension of credit be available to the PPPLF participant?

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Proceeds of a PPPLF extension of credit will generally be available on the business day following the date of the submission of the request. In periods of very high demand for PPPLF extensions of credit, such as is expected at the start of the

facility, additional time may be needed for proceeds to be available to the PPPLF participant.

Can a PPPLF participant obtain an extension of credit under the PPPLF before it originates the PPP loan that secures it?

[View](#)

No. A PPPLF participant must first make the PPP loan that it intends to pledge as PPPLF collateral, and then submit a request for a PPPLF extension of credit secured by that PPP loan.

Can a PPPLF participant pledge PPP loans as PPPLF collateral for an extension of PPPLF credit in an amount that is less than the aggregate principal amount of the PPP loans that have been pledged?

[View](#)

No. PPPLF credit will be extended in the amount equal to the aggregate principal amount of the PPP loans that have been pledged.

Can a PPPLF participant pledge PPP loans to the PPPLF for the purpose of requesting an extension of credit at a later date?

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No.

Are depository institutions that are eligible for secondary credit eligible to participate in the PPPLF?

[View](#)

Yes.

What should a PPPLF participant do if it has pledged a PPP loan as collateral for a PPPLF extension of credit, but later decides that it wants to sell that PPP loan?

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PPP loans that are pledged as PPPLF collateral must be withdrawn from the PPPLF before they are sold. Before the loan sale takes place, the PPPLF participant must both notify the lending Reserve Bank that it is requesting to prepay a PPPLF extension of credit, and must pay the lending Reserve Bank the full amount of the outstanding balance of the PPP loan that the PPPLF participant wishes to withdraw as collateral. The PPPLF participant should contact [its lending Reserve Bank](#) for information on submitting its request and on completing any necessary documentation.

Are there any restrictions on what a PPPLF participant does with the proceeds of a PPPLF extension of credit?

[View](#)

No. The PPPLF provides liquidity against PPP loan collateral to bolster the effectiveness of the PPP. There are no restrictions on what an institution does with the proceeds of a PPPLF advance.

Do PPP lenders have to use a promissory note provided by the SBA or may they use their own?

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PPP lenders may use their own promissory note or an SBA form of promissory note. See the SBA's Frequently Asked Questions for Lenders and Borrowers for the Paycheck Protection Program at: <https://www.sba.gov/document/support--faq-lenders-borrowers> (Question: Do lenders have to use a promissory note provided by the SBA or may they use their own?")

Where should questions regarding the PPPLF be directed?

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For depository institutions, questions regarding the PPPLF should be directed to the institution's local Reserve Bank or to PPPLF@chi.frb.org.

For non-depository institutions, questions regarding the PPPLF should be directed as follows:

Participant Entity Type	Reserve Bank	Email Address & Telephone
<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.ppplfcredit@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 	Federal Reserve Bank of Minneapolis	Email: mpls.credit@mpls.frb.org Telephone: (877) 837-8815
<ul style="list-style-type: none"> • Agricultural Credit Association (ACA) -member of the Farm Credit System 		
<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

Where is there more information about the PPP?

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To learn more about the PPP, visit <https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses>.

When will interest on PPPLF advances accrue? When must a PPPLF participant pay accrued interest on a PPPLF advance?

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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. Interest accrues daily until the PPPLF advance is fully repaid. PPPLF participants must pay

all accrued and unpaid interest at the time of payoff. In addition, a PPPLF participant must accompany any prepayments of any part of a PPPLF advance with payment of accrued and unpaid interest attributable to the amount of the prepayment. 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 on a PPPLF advance will continue to accrue during any lag between the time that the PPPLF participant receives a payment on a PPP loan securing a PPPLF advance and the time that the PPPLF participant reports that payment to the Reserve Bank.

How is accrued interest on PPPLF advances calculated?

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Interest on PPPLF advances accrues daily from the day the advance is extended. Daily interest accruals are calculated on the basis of 365 days in a year, and are rounded to whole cents. Interest does not compound, and accrues based only on the outstanding principal balance. For example, the daily accrued interest on a PPPLF advance of \$1 million is: $\text{round}(\$ 1,000,000 * (.0035 / 365), 2) * 1 = \$ 9.59$.
(Added 5/20/2020)

Can a PPPLF participant obtain a statement from its lending Reserve Bank setting forth its PPPLF activity?

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Yes. A participant's lending Reserve Bank offers a "Lending Statement for PPPLF Participants" (Lending Statement) upon request. The Lending Statement provides information on the participant's aggregate PPPLF advance activity (such as number of advances outstanding, total and outstanding advance amounts, accrued unpaid interest, and paid interest amounts) and aggregate PPPLF activity that has been paid down (such as paid principal amount). In addition, the Lending Statement includes this same information for each of the participant's individual PPPLF advances.

To request a Lending Statement, an authorized individual must email its lending [Reserve Bank's PPPLF mailbox](#) with an email containing "request for lending statement" in the subject line. An authorized individual is a person identified in the

PPPLF Letter of Agreement as authorized to request PPPLF extensions of credit and pledge PPPLF collateral. An email requesting a Lending Statement may not include other PPPLF-related issues. For example, an email requesting a Lending Statement may not also contain a PPPLF pledge or reduction transaction. A participant may request a Lending Statement from its lending Reserve Bank not more frequently than once per calendar month. *(Added 5/19/2021)*

What should PPPLF participants do to prepare for the required prepayments of their PPPLF advances?

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PPPLF participants should track all of their PPPLF advances and associated pledge pools of PPP loans separately and be prepared to report the updated aggregate current outstanding balance of the PPP loans in each pledge pool (reflecting payments on the PPP loans received from all sources). PPPLF participants should also be prepared to generate listings of *original and updated* information on individual pledged PPP loans.

Must a PPPLF participant report to the Reserve Bank any PPP loan paydown amounts that it receives on PPP loans that are pledged to secure a PPPLF advance?

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Yes, a PPPLF participant must submit a [Paycheck Protection Program Liquidity Facility \(PPPLF\) Individual PPP Loan Reduction Report](#) (reduction report) indicating the receipt of any payments on PPP loans pledged as collateral to the PPPLF immediately upon receipt of payment. In addition, a PPPLF participant must begin submitting reduction reports every two weeks once the participant has received its first forgiveness reimbursement payment from the SBA as described below.

The first regular periodic reduction report is due when the PPPLF participant begins receiving forgiveness reimbursement payments from the SBA for, and begins forgiveness paydowns on, PPP loans pledged to the PPPLF. Thereafter, the PPPLF participant must submit reduction reports at least once every two weeks (or more frequently, if requested by the lending Reserve Bank) on any PPP loan pool containing a PPP loan for which the PPPLF participant has received a PPP loan paydown from any source. If the PPPLF participant has not received a PPP loan

paydown on any PPP loan in a given PPP loan pool during the reporting period, then the PPPLF participant is not required to submit a PPP loan reduction report for that pool. If no PPP loan paydown amounts are received during a reporting period on **any** of the PPPLF participant's PPP loan pools, the participant must notify the Reserve Bank by email that no PPP loan paydown amounts were received during the reporting period. *(Added 9/16/2020)*

How does a PPPLF participant prepare and submit a reduction report?

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A PPPLF participant reports PPP loan paydowns that it has received by submitting a [Paycheck Protection Program Liquidity Facility \(PPPLF\) Individual PPP Loan Reduction Report](#) (reduction report). Effective September 18, 2020, the single reduction report form replaces the two forms (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 and the Paycheck Protection Program Individual Loan Listing Table) that were used starting in May 2020. The reduction report is used to submit the updated outstanding balance of individual PPP loans that are pledged as collateral to the PPPLF upon which payments have been received. The reduction report and additional instructions for submitting the reduction reports are available on the [PPPLF website](#). *(Added 9/16/2020)*

Starting on September 18, 2020, is a PPPLF participant required to use the single reduction report form to report PPP loan paydowns, or may it continue using the May 2020 forms and process?

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Starting September 18, 2020, a PPPLF participant must use the version of the [Paycheck Protection Program Liquidity Facility \(PPPLF\) Individual PPP Loan Reduction Report](#) (reduction report) that is available on the [PPPLF website](#). A PPPLF participant that needs some time to transition to the new reduction report should contact its [lending Reserve Bank](#). *(Added 9/16/2020)*

Must a PPPLF participant prepare and submit a Paycheck Protection Program Liquidity Facility (PPPLF) Individual PPP Loan Reduction Report (reduction report) if the PPPLF participant has not received any paydowns on any PPP loans pledged to secure the PPPLF participant's PPPLF advance?

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No, a PPPLF participant is not required to prepare and submit a reduction report on a particular PPPLF advance if the PPPLF participant has not received any PPP loan paydowns on PPP loans pledged to secure that advance during the reporting period. If the PPPLF participant has not received **any** PPP loan paydown amounts on **any** of its pledged PPP loan pools during the reporting period, the participant must send an email notifying the Reserve Bank that no PPP loan paydown amounts were received. *(Added 9/16/2020)*

May a PPPLF participant that has received payments on pledged PPP loans pledge additional collateral to secure the PPPLF advance rather than prepay the PPPLF advance?

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No. 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. Substitution of PPP loans that were not originally pledged is not permitted.

The PPPLF letter of agreement requires a participant to warrant, represent, and covenant that each PPP loan pledged as collateral “complies with all requirements of the PPP.” Does this requirement require the PPPLF participant to guarantee that the PPP loan borrower has complied or will comply with all SBA requirements applicable to PPP borrowers?

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The PPPLF letter of agreement is not intended to impose requirements on a PPP lender related to its PPP borrower beyond the requirements imposed on PPP lenders by the SBA and U.S. Treasury. The SBA’s [Interim Final Rule](#) (85 Fed. Reg. 20811, 20815 (Apr. 15, 2020)) states that PPP lenders may rely on certifications of a borrower in order to determine eligibility of the PPP borrower and use of PPP loan proceeds, and provides that PPP lenders may rely on specified documents provided by the borrower to determine qualifying loan amount and eligibility for loan forgiveness. See the SBA’s Interim Final Rule for further information.

May a PPPLF participant pledge a PPP loan to the PPPLF if the loan does not meet one or more requirements of the PPP or of the PPPLF, or if the loan has been cancelled or otherwise not guaranteed by the SBA?

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No. Under the terms of the PPPLF, a PPPLF advance can only be secured by PPP loans that are guaranteed by the SBA and that satisfy all other conditions of the PPP and of the PPPLF (including the PPPLF Term Sheet and the PPPLF Letter of Agreement). A PPP loan that is cancelled, awaiting SBA reinstatement, or otherwise not guaranteed by the SBA must be removed from the collateral pledge, and the participant must immediately notify its lending Reserve Bank of the removal. If the participant can provide documentation establishing that the SBA has re-instated the PPP loan, the re-instated PPP loan is fully guaranteed by the SBA, and otherwise meets the requirements of the PPPLF and the PPP, then the participant may contact its lending Reserve Bank regarding re-pledging the PPP loan.

The PPPLF makes advances secured by PPP loans that meet the requirements of the PPPLF and the PPP, including that the PPP loans are fully guaranteed by the SBA. The SBA determines whether a PPP loan satisfies the requirements of the PPP. Questions regarding the status of PPP loans for purposes of the PPP, or questions regarding the cancellation of a loan or re-instating the SBA guarantee should be directed to the SBA. *(Added 12/8/2020)*

May a PPPLF participant pledge PPP loans with an SBA loan number that was assigned on or after June 5, 2021, with a two-year maturity to the PPPLF?

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No. Under the terms of the PPPLF, a PPPLF advance can only be secured by PPP loans that are guaranteed by the SBA and that satisfy all other conditions of the PPP and of the PPPLF.

Under the Paycheck Protection Program Flexibility Act (Flexibility Act) and SBA rules, PPP loans with SBA numbers assigned through June 4, 2020, have a term of two years. Section 2(a) of the Flexibility Act amended the CARES Act to provide a minimum maturity of five years for all PPP loans made on or after June 5, 2020. *(Added 1/25/2021)*

I removed a PPP loan from the collateral pool supporting a PPPLF advance because I could not provide documentation to establish that the loan was guaranteed by the SBA or that the loan satisfied some other requirement of the PPP or the PPPLF. If

my institution is able to provide such documentation at a later time, may my institution re-pledge the loan to the PPPLF?

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Yes, provided that the PPP loan otherwise meets all the requirements of the PPP and the PPPLF. A PPPLF participant may re-pledge a PPP loan to the PPPLF once the participant is able to provide documentation that establishes that the loan meets the requirements of the PPPLF and the PPP, including that the PPP loan is fully guaranteed by the SBA. The participant may re-pledge until June 30, 2021, after which time the PPPLF cannot extend new advances. This date may be extended by the Board and the Secretary of the Treasury. *(Updated 3/8/2021)*

My institution has pledged a PPP loan that currently does not comply with the laws and regulations governing the PPP. We intend to make adjustments to the loan so that it complies with the laws and regulations governing the PPP program. What should we do while we are working to that end?

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Only valid PPP loans may be pledged to the PPPLF. If a PPP loan currently does not comply with the laws and regulations governing the PPP, or the PPPLF, the participant must notify its lending Reserve Bank immediately and remove the loan from its collateral pool. *(Added 12/8/2020)*

For depository institutions, how are PPP loans treated for regulatory capital purposes?

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PPP loans pledged to the PPPLF are excluded from total leverage exposure, average total consolidated assets, advanced approaches total risk-weighted assets, and standardized total risk-weighted assets, as applicable. On April 9, 2020, the Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation issued an interim final rule (“IFR”) to allow banking organizations to exclude from regulatory capital measures any exposures pledged as collateral for a non-recourse loan from the Federal Reserve. Because PPPLF extensions of credit are non-recourse, PPP loans pledged to the PPPLF qualify for exclusion under the IFR.

Consistent with the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), all PPP loans receive a zero percent risk weight for purposes of the Federal banking agencies' risk-based capital rules. However, only PPP loans that are pledged to secure PPPLF extensions of credit may be excluded from leverage ratio calculations. PPP loans that are pledged to secure primary credit funding at the discount window will not be excluded from leverage ratio calculations.

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

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A PPP loan that a depository institution purchases from another PPP lender and pledges to the PPPLF as collateral may be excluded from total leverage exposure, average total consolidated assets, advanced approaches total risk-weighted assets, and standardized risk-weighted assets, for the institution and its holding company, as applicable.

How should transactions with the PPPLF be treated under the liquidity coverage ratio (LCR) rule and the Complex Institution Liquidity Monitoring Report (FR 2052a)?

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On May 5, 2020, the federal banking agencies issued an interim final rule ([Liquidity Coverage Ratio Rule: Treatment of Certain Emergency Facilities](#)) to facilitate use of the PPPLF, and to ensure that the effects of its use are consistent and predictable under the LCR rule. The interim final rule neutralizes the effects of the LCR rule for banking organizations participating in the PPPLF. The interim final rule also makes conforming changes to the FR 2052a reporting form.

Discount Window

What are the major objectives of the discount window?

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Federal Reserve lending to depository institutions (the “discount window”) plays an important role in supporting the liquidity and stability of the banking system and