

U.S. DEPARTMENT OF THE TREASURY

Press Center

Secretary Paulson Remarks on Consumer ABS Lending Facility

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The consumer asset backed securities market is a source of liquidity to financial institutions that provide federally-guaranteed small business loans and consumer lending such as auto loans, student loans and credit cards. Issuance of ABS in these areas reached \$240 billion in 2007, but credit market stresses led to a steep decline in the third quarter of 2008, and the market essentially came to a halt in October. As a result, millions of Americans cannot find affordable financing for their basic credit needs. And credit card rates are climbing, making it more expensive for families to finance everyday purchases. This lack of affordable consumer credit undermines consumer spending and as a result weakens our economy.

To address this need and support the return of consumer lending, the Treasury will provide \$20 billion of credit protection to the Federal Reserve in connection with its \$200 billion Term Asset Backed Securities Loan Facility. By providing liquidity to issuers of consumer asset backed paper, the Federal Reserve facility will enable a broad range of institutions to step up their lending, enabling borrowers to have access to lower cost consumer finance and small business loans. The facility may be expanded over time and eligible asset classes may be expanded later to include other assets, such as commercial mortgage-backed securities, non-agency residential mortgage-backed securities or other asset classes.

Throughout this financial market turmoil, our focus has been to stabilize the system and support the lending that is vital to our economy. Toward that end we've taken steps to strengthen the capital position of our financial institutions, to stabilize the system and to enable them to increase lending to American consumers and businesses. Similarly, we've acted to stabilize the GSEs and to purchase GSE mortgage-backed securities, in order to increase the availability of affordable mortgage credit throughout our nation. Today's initiative to support the small business and consumer finance market is similarly aimed at increasing the availability of affordable lending. Today's announcement by the Fed that it will purchase direct debt obligations of Fannie Mae, Freddie Mac and the Federal Home Loan Banks, and also mortgage backed securities guaranteed by Fannie, Freddie and Ginnie Mae, underscores our support for the housing market. Nothing is more important to getting through this housing correction than the availability of affordable mortgage finance.

It will take time to work through the difficulties in our markets and our economy, and new challenges will continue to arise. I and my regulatory colleagues are committed to using all the tools at our disposal to preserve the strength of our financial institutions and stabilize our financial markets, to minimize the spillover into the rest of the economy.

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