

Report on the Paycheck Protection Program Liquidity Facility June 28, 2021

Overview

The Board of Governors of the Federal Reserve System (Board) is providing the following report concerning the Paycheck Protection Program Liquidity Facility (PPPLF), which was established by the Board under section 13(3) of the Federal Reserve Act (12 U.S.C. § 343). Pursuant to the Board's Regulation A,¹ the Board is required to provide a report to the public and the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives (the Committees) no later than seven days after renewing a program or facility under section 13(3)(C) of the Federal Reserve Act. This report describes the Board's approval, on June 25, 2021, of an extension of the termination date of the PPPLF until July 30, 2021.

Paycheck Protection Program Liquidity Facility

On April 8, 2020, the Board authorized each of the 12 Federal Reserve Banks to establish and operate the PPPLF. The PPPLF offers a source of liquidity to the financial institution lenders that lend to small businesses through the Small Business Administration's Paycheck Protection Program (PPP). Additional information about the PPPLF can be found on the Board's public website at <https://www.federalreserve.gov/monetarypolicy/ppplf.htm>.

Basis for Extension

On June 25, 2021, the Board and the Secretary of the Treasury approved a final extension of the PPPLF from June 30, 2021, until July 30, 2021. As described in the Board's initial report to the Committees regarding the PPPLF, the Board took into consideration the disruptions in financial markets and economic activity caused by the COVID-19 pandemic when it initially authorized the PPPLF. Although financial markets have stabilized significantly, some PPP lenders have indicated that they continue to face liquidity challenges to support PPP lending. In addition, the PPP Extension Act of 2021 extended the PPP until June 30, 2021. Some PPP lenders may be unable to pledge PPP loans originated on or before June 30, 2021, to the PPPLF due to the time required to disburse those PPP loans before they could be pledged to the PPPLF. An extension of the PPPLF

¹ 12 CFR part 201.

thus facilitates PPP lending that will be originated through the expiration of the PPP program on June 30, 2021, by providing lenders necessary additional time to disburse and pledge to the PPPLF PPP loans originated on or before June 30, 2021.

The Board's Regulation A provides that an emergency lending facility may be renewed if the Board finds that unusual and exigent circumstances continue to exist and the facility continues to appropriately provide liquidity to the financial system.² On June 25, 2021, based on the funding challenges for certain lenders and the processing delays described above, the Board extended the termination date for the PPPLF a final time until July 30, 2021. The terms of the PPPLF are otherwise unchanged as result of this action.

² 12 CFR 201.4(d)(9)(ii).