Federal Reserve Programs & Facilities: COVID-19 Response Effort

COMMERCIAL PAPER FUNDING FACILITY (CPFF)

WHO: Any issuer of commercial paper that, on March 17, 2020, was:
1. Rated at least A1/P1/F1 by a major NRSRO or, if rated by multiple major NRSROs, was rated at least A1/P1/F1 by two or more major NRSROs; and
2. Is subsequently downgraded, will be able to make a one-time sale of commercial paper to the SPV so long as the issuer is rated at least A2/P2/F2 by a major NRSRO or, if rated by multiple major NRSROs, is rated at least A2/P2/F2 by two or more major NRSROs, in each case subject to review by the Federal Reserve.

WHAT: The CPFF is structured as a credit facility to a special purpose vehicle (“SPV”) authorized under section 13(3) of the Federal Reserve Act. The SPV serves as a funding backstop to facilitate the issuance of term commercial paper by eligible issuers. The SPV will purchase from eligible issuers three-month U.S. dollar-denominated commercial paper through the New York Fed’s primary dealers.

For commercial paper rated A1/P1/F1, pricing will be based on the then-current three-month overnight index swap (“OIS”) rate plus 110 basis points. For commercial paper rated A2/P2/F2, pricing will be based on the then-current three-month OIS rate plus 200 basis points.

WHEN: The SPV will cease purchasing commercial paper on March 17, 2021 unless the Board extends the facility.

WHERE: Eligible issuers should send the registration materials to CPFFRegistration@pimco.com. Get more details at the Federal Reserve Bank of New York’s website.

PRIMARY DEALER CREDIT FACILITY (PDCF)

WHO: Only primary dealers of the New York Fed are eligible to participate in the PDCF.

WHAT: Loans will be made available to primary dealers for a term of up to ninety days. Loans made under the PDCF will be made at a rate equal to the primary credit rate in effect at the New York Fed offered to depository institutions via the Discount Window.

WHEN: Starting March 20th and continuing for at least six months.

WHERE: The Federal Reserve Bank of New York. Check their FAQ page for more details.

MONEY MARKET MUTUAL FUND LIQUIDITY FACILITY (MMLF)

WHO: U.S. depository institutions, bank holding companies (parent companies incorporated in the United States or their U.S. broker-dealer affiliates), and U.S. branches and agencies of foreign banks are eligible to borrow under this facility.

WHAT: The Federal Reserve Bank of Boston will provide a nonrecourse advance to an eligible borrower to purchase certain types of assets from an eligible money market mutual fund.


WHERE: The Federal Reserve Bank of Boston. Check out their FAQ page for more details.
TERM ASSET-BACKED SECURITIES LOAN FACILITY (TALF)

WHO: All U.S. companies that own eligible collateral and maintain an account relationship with a primary dealer are eligible to borrow under the TALF. Under the TALF, a U.S. company is defined as a business that is created or organized in the United States or under the laws of the United States and that has significant operations in and a majority of its employees based in the United States.
- Eligible collateral includes U.S. dollar denominated cash (that is, not synthetic) ABS that have a credit rating in the highest long-term or, in the case of non-mortgage backed ABS, the highest short term investment-grade rating category from at least two eligible nationally recognized statistical rating organizations ("NRSROs") and do not have a credit rating below the highest investment-grade rating category from an eligible NRSRO. Want more details? Check out the term sheet.

WHAT: On fixed days each mon, borrowers will be able to request one or more three-year or, in certain cases, five-year TALF non-recourse loans. Loan proceeds will be disbursed to the borrower, contingent on receipt by the New York Fed’s custodian bank (custodian) of the eligible collateral, an administrative fee, and margin, if applicable.
- For collateralized loan obligations, the interest rate will be 150 basis points over the thirty-day average secured overnight financing rate.
- For SBA 7(a) loans, the interest rate will be the top of the federal funds target range plus seventy-five basis points.
- For SBA loans, the interest rate will be seventy-five basis points over the three-year fed funds overnight index swap.


WHERE: The Federal Reserve Bank of New York. Check their FAQ page for more details.

PRIMARY MARKET CORPORATE CREDIT FACILITY (PMCCF)

WHO: Eligible issuers are:
1. The issuer is a business that is created or organized in the United States or under the laws of the United States with significant operations in and a majority of its employees based in the United States.
2. The issuer was rated at least BBB-/Baa3 as of March 22nd, 2020, by a major nationally recognized statistical rating organization ("NRSRO"). If rated by multiple major NRSROs, the issuer must be rated at least BBB-/Baa3 by two or more NRSROs as of March 22nd, 2020. An issuer that was rated at least BBB-/Baa3 as of March 22nd, 2020 but was subsequently downgraded must be rated at least BB-/Ba3 as of the date on which the Facility makes a purchase. If rated by multiple major NRSROs, such an issuer must be rated at least BB-/Ba3 by two or more NRSROs at the time the Facility makes a purchase.
3. The issuer is not an insured depository institution or depository institution holding company, as such terms are defined in the Dodd-Frank Act.
4. The issuer has not received specific support pursuant to the CARES Act or any subsequent federal legislation.
5. The issuer must satisfy the conflicts of interest requirements of section 4019 of the CARES Act.

WHAT: The PMCCF will purchase eligible corporate bonds directly from eligible issuers and will make loans to eligible issuers. Eligible corporate bonds and loans have a maturity of four years or less. The PMCCF will purchase bonds and make loans that have interest rates informed by market conditions. Interest and principal payments may be deferred for the first six months of the loan. For additional details, check out the April 9th term sheet.

WHERE: The Federal Reserve Bank of New York. Check their PMCCF page for details.

SECONDARY MARKET CORPORATE CREDIT FACILITY (SMCCF)

WHO: The SMCCF may purchase corporate bonds that, at the time of purchase by the Facility: (i) were issued by an eligible issuer (same criteria as PMCCF); (ii) have a remaining maturity of five years or less; and (iii) were sold to the Facility by an eligible seller. The SMCCF also may purchase U.S.-listed ETFs whose investment objective is to provide broad exposure to the market for U.S. corporate bonds.

WHAT: The SPV will purchase in the secondary market eligible individual corporate bonds as well as eligible corporate bond portfolios in the form of exchange-traded funds (“ETFs”). The Facility will purchase eligible corporate bonds at fair market value in the secondary market. For additional details, check out the April 9th term sheet.

WHEN: Starting March 23rd, 3030 and continuing until at least September 30-2020.


MAIN STREET NEW LOAN FACILITY (MSNLF)

WHO: Eligible borrowers are businesses with up to 10,000 employees or up to $2.5 billion in 2019 annual revenues. Eligible borrowers are businesses that are created or organized in the United States or under the laws of the United States with significant operations in and a majority of their employees based in the United States. Eligible borrowers that participate in the MSNLF may not also participate in the MSELF or the PMCCF.

WHAT: An eligible loan is an unsecured term loan made by an eligible lender (see term sheet) to an eligible borrower that was originated on or after April 8, 2020, provided that the loan has the following features:

1. Four-year maturity
2. Amortization of principal and interest deferred for one year
3. Secured Overnight Financing Rate + 250 - 400 basis points
4. Minimum loan size of $1 million
5. Maximum loan size that is the lesser of
   • $25 million or
   • An amount that, when added to the Eligible Borrower’s existing outstanding and committed but undrawn debt, does not exceed four times the Eligible Borrower’s 2019 earnings before interest, taxes, depreciation, and amortization.
6. Prepayment permitted without penalty.

Firms seeking Main Street loans must commit to make reasonable efforts to maintain payroll and retain workers. Borrowers must also follow compensation, stock repurchase, and dividend restrictions that apply to direct loan programs under the CARES Act. Firms that have taken advantage of the PPP may also take out Main Street loans. See the term sheet for all details.


WHERE: Your local eligible lender, details forthcoming. See the Fed’s April 9 press release for details.
Main Street Expanded Loan Facility (MSELF)

WHO: Eligible Borrowers are businesses with up to 10,000 employees or up to $2.5 billion in 2019 annual revenues. Eligible borrowers must be businesses that are created or organized in the United States or under the laws of the United States with significant operations in and a majority of their employees based in the United States. Eligible borrowers that participate in the MSELF may not also participate in the MSNLF or the PMCCF.

WHAT: The SPV will purchase 95% participations in the upsized tranche of eligible loans from eligible lenders. Eligible lenders retain 5% of the upsized tranche of each eligible loan. An eligible loan is a term loan made by eligible lenders to an eligible borrower that was originated before April 8th, 2020, provided that the upsized tranche of the loan has the following features:

1. Four-year maturity
2. Amortization of principal and interest deferred for one year
3. Adjustable rate of SOFR + 250-400 basis points
4. Minimum loan size of $1 million
5. Maximum loan size that is the lesser of:
   - $150 million
   - 30% of the Eligible Borrower’s existing outstanding and committed but undrawn bank debt, or;
   - an amount that, when added to the Eligible Borrower’s existing outstanding and committed but undrawn debt, does not exceed six times the Eligible Borrower’s 2019 earnings before interest, taxes, depreciation, and amortization and;
6. Prepayment permitted without penalty.

Firms seeking Main Street loans must commit to make reasonable efforts to maintain payroll and retain workers. Borrowers must also follow compensation, stock repurchase, and dividend restrictions that apply to direct loan programs under the CARES Act.

Eligible borrowers must pay an eligible lender a fee of 100 basis points of the principal amount of the upsized tranche of the eligible loan at the time of upsizing. The MSELF will pay an eligible lender twenty-five basis points of the principal amount of its participation in the upsized tranche of the eligible loan per annum for loan servicing. Firms that have taken advantage of the PPP may also take out Main Street loans. See the term sheet for all details.


WHERE: Your local eligible lender, details forthcoming. See the Fed’s April 9th press release for details.

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