

Frequently Asked Questions

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.

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

facility, visit: <https://www.frbdiscountwindow.org/>.

How long will the PPPLF be in effect?

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No new extensions of credit will be made under the PPPLF after September 30, 2020, unless the Board and the Department of the Treasury determine to extend the PPPLF.

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 available [here]. 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
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Development Financial Institution (CDFI) - certified by the U.S. Department of the Treasury	Bank of Cleveland	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 • Agricultural Credit Association (ACA) -member of the Farm Credit System 	Federal Reserve Bank of Minneapolis	Email: mpls.credit@mpls.frb.org Telephone: (877) 837-8815
<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:

- a. prepare a collateral transmittal 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.
- b. prepare a listing of the individual PPP loans that are being pledged. The information that must be included in this individual PPP loan listing is shown in the "Paycheck Protection Program Individual Loan Reporting Table". This Loan Reporting Table must be used as a template in preparing the individual loan listing.

The collateral transmittal form and individual loan listing must be submitted by an individual identified in the PPPLF Letter of Agreement 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 collateral transmittal form and individual loan listing must be submitted in a separate email for each request for a PPPLF extension of credit and pool of PPPLF collateral.

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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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?[View](#)

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?[View](#)

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, generally two 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.

Is there a limit on the total amount of credit that can be extended through the PPPLF?[View](#)

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?[View](#)

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?[View](#)

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

more information on reporting payments on PPP loans and on prepayment of PPPLF extensions of credit, contact the [appropriate Reserve Bank](#).

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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The Federal Reserve expects to disclose information regarding the PPPLF during the operation of the facility, including information regarding participants, costs, revenues, and other fees.

Balance sheet items related to the PPPLF will be reported weekly, on an aggregated basis, on the H.4.1 statistical release titled "Factors Affecting Reserve Balances of Depository Institutions and Condition Statement of Federal Reserve Banks," published by the Federal Reserve.

In addition, the Federal Reserve will disclose to Congress information pursuant to Section 13(3) of the Federal Reserve Act, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act, and the Board’s Regulation A.

Under section 11(s) of the Federal Reserve Act, the Federal Reserve also will disclose information concerning the facility one year after the effective date of the termination by the Board of the authorization of the facility. This disclosure will include names and identifying details of each participant in the facility, the amount borrowed, the interest rate or discount paid, and information concerning the types and amounts of collateral pledged or assets transferred in connection with participation in the facility.

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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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?

[View](#)

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?

[View](#)

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.

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.

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

accordance with the SBA's requirements for the sale and purchase of whole PPP loans. An institution that pledges a purchased PPP loan to the PPPLF must provide the Reserve Bank with documentation demonstrating that the SBA has acknowledged that the pledging institution is the beneficiary of the SBA guarantee for the loan. This FAQ and the PPPLF program documents will be updated at a later date to specify necessary documentation.

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

[View](#)

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 April 30, 2022. The Reserve Bank will make one extension of credit to that PPPLF participant secured by the pool of PPP loans having the April 30, 2022, maturity date. For this reason, a PPPLF participant should ensure that it simultaneously pledges all PPP loans with the same maturity date. 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.

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?

[View](#)

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?

[View](#)

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?

[View](#)

to sell into the secondary market. The PPPLF participant should contact the [appropriate 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?

[View](#)

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?

[View](#)

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 Agricultural Credit Association (ACA) - member of the Farm Credit System 	Federal Reserve Bank of Minneapolis	Email: mpls.credit@mpls.frb.org Telephone: (877) 837-8815
<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

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 will PPPLF participants prepay PPPLF advances when they receive payments on the PPP loans pledged to secure the PPPLF advance?

[View](#)

PPPLF participants are required to prepay a PPPLF advance upon receiving any payments on PPP loans pledged as collateral for the advance. The amount of any PPPLF advance outstanding cannot exceed the outstanding amount of PPP loans pledged to secure the advance.

At the time that PPP loan forgiveness payments begin to be requested and processed by the SBA, lending Reserve Banks will begin requiring that PPPLF participants submit, at a frequency to be determined, updated aggregate outstanding balances of each pledge pool of PPP loans securing PPPLF advances. PPPLF participants are required to prepay PPPLF advances to match the updated aggregate collateral balance in the associated pledge pool, so that the amount of a PPPLF advance outstanding never exceeds the aggregate amount of PPPLF collateral pledged to secure the advance. PPPLF participants must pay all accrued and unpaid interest on the prepayment amount with such prepayments. Similar to the initial PPPLF collateral pledge and loan request, PPPLF participants must accompany all prepayments of PPPLF advances with a transmittal form showing the aggregate current outstanding balances of the pledged PPP loans, as well as with individual loan listings for each of the pledge pools. The forms and additional submission instructions for prepayments of PPPLF advances will be available by mid-May.

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.

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?

[View](#)

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.

What should a PPPLF participant do if it receives a payment on a pledged PPP loan before late May 2020?

[View](#)

If a PPPLF participant receives a paydown on a PPP loan pledged to a PPPLF advance before late May, the PPPLF participant should submit an updated aggregate collateral balance for the affected PPPLF advance and an updated individual loan listing for the collateral pool using the “Transmittal Form for Pledge of Small Business Administration Paycheck Protection Program Loans for the Paycheck Protection Program Liquidity Facility and Request for Advance” and the “Paycheck Protection Program Individual Loan Reporting Template” forms that were used for the initial PPPLF advance request. The email transmitting the forms should specify that *the request is for a prepayment on an existing PPPLF advance*, not a request for a new PPPLF advance. The PPPLF participant is required to prepay the PPPLF advance to the extent necessary to match the remaining outstanding amount of the PPPLF advance with the aggregate value of the pledged PPP loans in the associated pledge pool, together with accrued and unpaid interest on the prepayment amount.

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?

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.

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 the effective implementation of monetary policy. By providing ready access to funding, the discount window helps depository institutions manage their liquidity risks efficiently and avoid actions that have negative consequences for their customers, such as withdrawing credit during times of market stress. Thus, the discount window supports the smooth flow of credit to households and businesses. Providing liquidity in this way is one of the original purposes of the Federal Reserve System and other central banks around the world.

The Federal Reserve Banks offer three discount window programs to depository institutions: Primary credit is for institutions in generally sound financial condition. Secondary credit is for depository institutions that do not qualify for primary credit. Seasonal credit is designed to assist small depository institutions in managing significant seasonal swings in their loans and deposits. Each program has its own interest rate, and all discount window loans are fully secured.

What changes has the Federal Reserve announced for the discount window?

[View](#)

On March 15, 2020, the Federal Reserve announced changes to the discount window.

These changes included the following:

- Narrowing the spread of the primary credit rate relative to the general level of overnight interest rates to help encourage more active use of the window by depository institutions to meet unexpected funding needs.
- Announcing that depository institutions may borrow from the discount window for periods as long as 90 days, prepayable and renewable by the borrower on a daily basis.

These changes were effective March 16, 2020, and will remain in effect until the Federal Reserve announces otherwise. The press release announcing these changes is located at:

<https://www.federalreserve.gov/newsevents/pressreleases/monetary20200315b.htm>

What are the key features of primary credit and secondary credit?

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Feature	Primary Credit	Secondary Credit
Rate	The rate is set relative to the FOMC's target range for the federal funds rate.	Primary credit rate plus 50 basis points*.
Term	Provided for periods as long as 90 days.	Short-term, usually overnight. Can be extended for a longer term if such credit would facilitate a timely return to reliance on market funding or an orderly resolution of a failing institution, subject to statutory requirements (FDICIA restrictions).

	financial condition.	
Use	No restrictions. May be used to fund sales of federal funds.	As a backup source of funding on a very short-term basis, or to facilitate an orderly resolution of serious financial difficulties.
Administration	No questions asked.	Reserve Banks will collect information necessary to confirm that borrowing is consistent with the objectives of the program.

How do Reserve Banks administer the primary and secondary credit discount window programs?

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Primary credit is extended to generally sound depository institutions at a rate set relative to the FOMC's target range for the federal funds rate with minimal administrative burden on the borrower. Depository institutions are not required to seek funds elsewhere before requesting a discount window loan.

Unlike primary credit, the secondary credit program is not a "minimal administration" facility. Reserve Banks will obtain sufficient information about a borrower's financial situation and reasons for borrowing to ensure that an extension of credit complies with the conditions of the program.

Are there any restrictions on the use of funds a depository institution borrows from the Federal Reserve under the primary credit program? Under the secondary credit program?

[View](#)

There are no restrictions on the use of primary credit. In particular, borrowers are not prohibited from using primary credit to finance sales of federal funds.

Secondary credit is available to meet backup liquidity needs when its use is consistent with a timely return to a reliance on market sources of funding or the orderly resolution of a troubled institution. Secondary credit may not be used to fund an expansion of the borrower's assets.

How do Reserve Banks determine which financial institutions are eligible for primary credit? For secondary credit? How often is eligibility reassessed? When are institutions notified about their eligibility?

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Eligibility for primary credit is limited to depository institutions that are in generally sound financial condition. Reserve Banks determine eligibility on an ongoing basis using supervisory ratings and capitalization data; supplementary information, when available, may also be used. Essentially the same criteria that are used to determine eligibility for daylight credit are used to determine eligibility for primary credit. Institutions that do not qualify for primary credit are eligible for secondary credit. Institutions' eligibility is reassessed as new information about their condition becomes available.

- Depository institutions assigned a composite CAMELS or CAMEL rating of 1, 2, or 3 (or SOSA 1 or 2 and ROCA 1, 2, or 3) that are at least adequately capitalized are eligible for primary credit unless supplementary information indicates that the institution is not generally sound.
- Depository institutions assigned a composite CAMELS or CAMEL rating of 4 (or SOSA 1 or 2 and ROCA 4 or 5) are not eligible for primary credit unless an ongoing examination indicates that the institution is at least adequately capitalized and that its condition has improved sufficiently to be deemed generally sound.
- Depository institutions assigned a composite CAMELS or CAMEL rating of 5 (or SOSA 3, regardless of ROCA) or that are undercapitalized are not eligible for primary credit.

Institutions that have executed and submitted a borrowing agreement will be notified promptly if their eligibility changes.

How is the primary credit rate set?

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Does the Federal Reserve disclose the identity of institutions that borrow from the discount window?[View](#)

Yes. In accordance with the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. No. 111-203), which amended the Federal Reserve Act, the Federal Reserve has changed its practices with respect to disclosure of discount window lending information. Effective for discount window loans (primary, secondary, and seasonal credit) extended on or after July 21, 2010, the Federal Reserve will publicly disclose the following information, generally about two years after a discount window loan is extended to a depository institution:

- The name and identifying details of the depository institution;
- The amount borrowed by the depository institution;
- The interest rate paid by the depository institution; and
- Information identifying the types and amounts of collateral pledged in connection with any discount window loan.

This disclosure requirement does not apply to collateral pledged by depository institutions that do not borrow.

This information is released quarterly. The relevant text in section 11(s) of the Federal Reserve Act can be found at <https://www.federalreserve.gov/aboutthefed/section11.htm>.

Does the Federal Reserve publish information about which depository institutions are allowed to borrow from the discount window at the primary credit rate?[View](#)

The Federal Reserve does not publish information regarding institutions' current eligibility for primary or secondary credit. However, as noted in the response above, the Federal Reserve will publicly disclose, with approximately a two-year lag, the interest rate paid on discount window loans. Therefore, a borrowing institution's past eligibility to borrow at the primary credit rate may be inferred.

**Does the Federal Reserve share the list of depository institutions eligible for primary and secondary credit with bank regulators?
Does the Federal Reserve share information about institutions' use of the discount window with bank regulators?**[View](#)

The Federal Reserve will provide each federal regulator, at its request, a list showing which of the depository institutions supervised by that regulator have filed borrowing agreements and pledged collateral and thus are prepared to use the primary or secondary credit facilities. Also, as noted in the response above, the Federal Reserve will publicly disclose, with approximately a two-year lag, certain information on discount window loans extended on or after July 21, 2010.

Otherwise, the Federal Reserve does not routinely share information about institutions' borrowing with regulators. Regulators may, however, obtain information about an institution's borrowing history when they are investigating a potential supervisory problem.

How does the Federal Reserve publish aggregate data on borrowings under the primary and secondary credit programs?[View](#)

Each week, [the Board of Governors reports](#) total borrowing under each lending program for the nation as a whole as well as the sum of borrowing under all programs for each Federal Reserve District.

The Federal Reserve describes the primary credit program as a 'no questions asked' program with minimum administration. What does that mean?[View](#)

Under the amended [Regulation A](#) in place since the beginning of 2003, qualified depository institutions seeking primary credit ordinarily are asked to provide only the minimum amount of information necessary to process the loan. In nearly all cases, this would be limited to the amount and term of the loan. Depository institutions are not required to seek funds elsewhere before

As has always been the case, a Federal Reserve Bank has no obligation to make, increase, renew, or extend any loan or advance to any institution.

Is there any threshold for the size of a loan beyond which a Reserve Bank will ask the depository institution some questions regarding the loan?

[View](#)

No size limitations or thresholds exist except that the loan must be collateralized to the satisfaction of the lending Reserve Bank. Reserve Banks use judgment to decide when, if at all, a loan request is large enough to warrant asking questions at the time of the request or after the fact.

What procedures should a depository institution follow to borrow from the discount window?

[View](#)

A depository institution should contact its Reserve Bank using the toll free number listed below:

Federal Reserve Bank-District	Toll-Free discount window number
Atlanta-6	888-500-7390
Boston-1	800-716-3773
Chicago-7	800-380-3762
Cleveland-4	888-719-4636
Dallas-4	877-682-3256
Kansas City-10	800-333-2987
Minneapolis-9	877-837-8815
New York-2	866-226-5619
Philadelphia-3	800-372-2011
Richmond-5	800-526-2036
San Francisco-12	866-974-7475
St. Louis-8	866-666-8316

Requests for loans must be made by authorized individuals per the borrowing resolution of the depository institution. Information about legal documentation required to borrow from the discount window is available on this website at <https://www.frbdiscountwindow.org/pages/agreements/required-agreements> or from the Reserve Banks. All discount window loans must be secured to the satisfaction of the Reserve Bank.

Institutions may request a loan at any time during the business day. Normally, loans are posted to borrowers' (or their correspondents') accounts at the close of Fedwire (see response below). Please refer to [The Mechanics of Borrowing](#) for additional information.

When are the proceeds of discount window loans made available to the borrower? When is the subsequent repayment posted?

[View](#)

As noted in [Operating Circular No. 10](#), loan proceeds normally are made available at the close of Fedwire (usually 6:30 pm ET) on the day the advance is approved by the Reserve Bank. Reserve Banks may approve requests for earlier availability. Discount window credit is extended for 24 hours, or multiples thereof. The repayment will be booked at the same time of day that the funds were made available to the borrower.

Under the seasonal lending program, small depository institutions with a recurring, seasonal need for funds may qualify to borrow from the discount window for up to nine months during the calendar year to meet seasonal borrowing needs of the communities they serve. Institutions with deposits of less than \$500 million that experience fluctuations in deposits and loans caused by construction, college, farming, resort, municipal financing and other seasonal types of business frequently qualify for the seasonal lending program. More information about the seasonal lending program is available on the [Seasonal Lending Program](#) page of this website.

If a depository institution is in the seasonal credit program, may it use seasonal credit rather than the primary credit facility for its needs?

[View](#)

Yes. If an institution qualifies for and is granted a seasonal line, the institution decides when to draw on the line.

What rate is charged on term primary credit loans?

[View](#)

Interest will be charged at the primary credit rate in effect at the time the term primary credit loan is made. However, if the primary credit rate is changed while a term primary credit loan is still outstanding, the new rate will apply on and after the effective date of the change.

Interest on a term primary credit loan is due and payable to the lending Reserve Bank at maturity; or, if the borrower has prepaid all or a portion of the principal on an advance, interest is due at the time the entire principal has been repaid.

Interest accrues on the unpaid balance of an advance until the maturity date, at which time the remaining principal and any accrued interest will be automatically charged to the borrowing institution's reserve account or the designated correspondent's reserve account.

Does a borrower need to submit any additional agreements or forms (in addition to OC-10 and related documents) to borrow using a term primary credit loan?

[View](#)

No.

Can a borrower prepay a term primary credit loan?

[View](#)

Yes. A borrower may prepay all or a portion of the principal of a term primary credit loan.

What steps must a borrower take to prepay a term primary credit loan?

[View](#)

An individual specified as an "Authorized Borrower" must call its Local Reserve Bank's normal toll-free discount window telephone hotline. The caller should be prepared to specify the following:

- Name and location (city and state) of your institution
 - Borrowing institution's name and ABA number
 - Authorized Submitter(s) Name(s), Title(s), and contact number(s)
 - Amount of the prepayment being requested
 - Details of the term primary credit loan
-

What kind of collateral is acceptable for a term primary credit loan?

[View](#)

[and Collateral Guidelines](#) page.

Is there an additional collateralization requirement for term primary credit loans?

[View](#)

Yes. Consistent with long-standing [discount window collateral policy](#), additional collateral is required for loans whose remaining maturity exceeds 28 days – for these loans, borrowing only up to 75% of available collateral is permitted

What is the reason for the additional collateralization requirement for longer-term credit?

[View](#)

The requirement that institutions maintain additional collateral beyond that necessary to secure overnight and shorter-term primary credit is designed in part to ensure that borrowers retain some capacity to borrow under the primary credit facility to meet any unexpected short-term funding needs, and in part to protect against changes in the value of collateral and the creditworthiness of the borrower over the longer term of the loan.

Borrowers with term primary credit loans with remaining maturity of over 28 days are required to maintain additional collateral above the amount of such loans; however, at the discretion of the Reserve Bank, the borrower may access short-term primary credit up to the lendable value of the additional collateral. If the short-term primary credit is extended for more than two days, the borrower must within two days pledge more collateral to restore the amount associated with any outstanding loans of more than 28 days remaining maturity. If the borrower cannot pledge additional collateral, the Reserve Bank may require the borrower to pay down some or all of its outstanding loans.

What happens if the borrower cannot meet a collateralization requirement?

[View](#)

A borrower is required to maintain sufficient collateral to cover the term primary credit loan, as well as meet the collateralization requirement for any other loans with remaining term to maturity of more than 28 days. If the borrower, at any time while loans are outstanding, fails to meet any collateralization requirement, it will need to pledge additional collateral to cover the shortfall or pay down some or all of the outstanding loans.

How are term primary credit loans treated in the U.S. rulemaking on the “Liquidity Coverage Ratio: Liquidity Risk Measurement Standards” (79 FR 61440)?

[View](#)

Term primary credit loans with a remaining maturity greater than 30 days would be outside of the liquidity coverage ratio’s 30-day stress time horizon. For example, if a bank were to borrow term primary credit for 90 days, immediately upon borrowing, the bank’s reserve balances would increase. This increase in reserve balances would increase the numerator of the Liquidity Coverage Ratio (LCR). At the same time, the loan longer than 30 days would not create an outflow in the denominator of the LCR. As a result, the borrowing bank’s LCR increases. As the remaining maturity of the loan declines, the bank may choose to pre-pay the loan and request a new loan up to 90 days.

The Federal Reserve has introduced a change to support favorable treatment of term primary credit loans under the LCR. Specifically, each Reserve Bank has waived its rights to require repayment on demand under with respect to term primary credit loans. These changes are described in the response below.

What does it mean that each Reserve Bank has waived its rights to require repayment on demand under with respect to term primary credit loans?

[View](#)

As announced on March 15, 2020, the Federal Reserve Banks have waived their rights to require repayment on demand for a term primary credit loan with a remaining maturity of more than 30 calendar days, as provided in section 5.1(a) of OC-10. The Reserve Banks retain all other remedies under OC-10, including but not limited to calls to cure collateral insufficiencies and remedies

(["Terms"](#))' document.

Will the Federal Reserve release information about term primary credit loans?

[View](#)

Yes, information on term primary credit loans will be disclosed in the same manner as overnight primary credit loans in accordance with the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. No. 111-203).

Payment System Risk FAQs

What is a daylight overdraft?

[View](#)

A daylight overdraft occurs when an institution's Federal Reserve account has a negative balance at any point during the Fedwire operating day. Daylight overdrafts are also referred to as Federal Reserve's intraday credit.

May all institutions that have a Federal Reserve account incur daylight overdrafts?

[View](#)

Depository institutions with regular access to the discount window may incur daylight overdrafts. Institutions that have a Federal Reserve account but do not have regular access to the Discount Window are not permitted to incur daylight overdrafts. The Reserve Bank may also limit access to intraday credit for other institutions that present increased risks, such as institutions in weak financial condition or institutions incurring overdrafts in violation of the PSR policy.

Are there limits to daylight overdrafts an institution can incur in its Federal Reserve account?

[View](#)

Each institution that maintains a Federal Reserve account is assigned or may establish a net debit cap ("cap"), which limits the amount of daylight overdrafts that the institution may incur in its Federal Reserve account. An institution's cap category and its capital measure determine the dollar amount of its net debit cap.

What is a cap breach?

[View](#)

A cap breach is a negative end-of-minute balance in an institution's Federal Reserve account that exceeds its net debit cap or its "max cap" (single-day cap plus additional capacity).

How are daylight overdrafts monitored?

[View](#)

The Federal Reserve uses a schedule of posting rules, identified in the [PSR policy](#), to determine whether a daylight overdraft has occurred in an institution's account. The daylight overdraft posting rules define the time of day that debits and credits for transactions processed by the Federal Reserve will post to an institution's account. The Federal Reserve measures an institution's daylight overdraft activity, monitors its compliance with the PSR policy, and calculates daylight overdraft charges on an ex-post basis

What are the Federal Reserve's expectations regarding account management?

[View](#)

The Federal Reserve expects institutions that maintain Federal Reserve accounts to monitor their account balances on an intraday basis in order to comply with the PSR policy. Institutions should be aware of the payments made from their accounts each day and know how those payments are funded. Institutions are expected to use their own systems and procedures, as well

Daylight overdrafts that result in overnight overdrafts are strongly discouraged and subject to an overnight overdraft penalty fee.

What are the most recent revisions to the PSR policy?

[View](#)

The following revisions to the PSR policy, effective July 23, 2015, are designed to enhance the efficiency of the payment system by aligning the PSR posting rules more closely with current operations for automated clearing house (ACH) debit transactions and commercial check transactions and strategically position the rules for future advancements in the speed of clearing and settlement. The Federal Reserve Board amended the PSR policy to:

- Move the posting time for ACH debit transactions to 8:30 AM ET from 11:00 AM ET to align with the posting of ACH credit transactions.
 - Establish new posting times for commercial check credits and debits at 8:30 AM ET, 1:00 PM ET, and 5:30 PM ET.
-

Are institutions required to collateralize daylight overdrafts?

[View](#)

Under the PSR policy, collateralization of daylight overdrafts by healthy depository institutions is voluntary to avoid disrupting the operation of the payment system and creating a burden for a large number of small users of daylight overdrafts. Eligible institutions that collateralize daylight overdrafts receive a zero fee for those overdrafts.

What is the purpose of collateral under the PSR policy?

[View](#)

Institutions with regular access to the discount window can incur daylight overdrafts and may pledge collateral voluntarily to reduce or offset daylight overdraft fees. Any collateral that an institution has pledged to its Reserve Bank that is not securing an extension of credit, such as a discount window loan, will automatically be applied to offset the institution's daylight overdraft fees.

Collateral may also be used to support a max cap or to meet a Reserve Bank's collateral requirement that may be applicable, for example, for institutions in weak financial condition. Collateral pledged to support a max cap or to support a collateral requirement will be applied to offset an institution's daylight overdraft fees.

Are there separate accounts for discount window and PSR collateral at the Federal Reserve?

[View](#)

All collateral pledged for discount window and PSR purposes resides in one account, called the FR collateral account. Collateral pledged to the Reserve Bank for Treasury purposes (TT&L collateral) is pledged into a different collateral account and is not applied to an institution's daylight overdraft fee calculation.

What type of collateral is acceptable for PSR purposes?

[View](#)

Any collateral eligible to be pledged at the discount window is eligible for PSR purposes as well. A listing of the most commonly pledged asset types can be found by clicking on the [Collateral Margins Table](#) on this site. Additionally, in-transit collateral may be pledged for PSR purposes at Reserve Bank discretion. All collateral must be acceptable to an institution's Reserve Bank.

Do collateral margins for PSR purposes differ from those for the discount window?

[View](#)

Collateral margins are the same for collateral pledged for either PSR or discount window purposes. See the [Collateral Margins Table](#) on this site for more information.

What steps should institutions take to ensure collateral already pledged for discount window purposes is applied toward daylight

Collateral already pledged for discount window purposes, which is not securing an outstanding discount window loan, will be automatically applied for daylight overdrafts purposes.

What steps should institutions take to pledge collateral for daylight overdraft purposes, if collateral is not already pledged?

[View](#)

The requirements for pledging collateral under the PSR policy are the same as those for pledging to the discount window. Institutions interested in pledging collateral for discount window or PSR purposes must complete certain legal documents (authorizing resolutions and agreements) with their Reserve Bank, specifically, [Operating Circular No. 10](#) documents.

How can institutions monitor collateral applied for daylight overdraft purposes?

[View](#)

Institutions can access near-real-time collateral information in the Federal Reserve's Account Management Information (AMI) system. Through AMI's collateral service, institutions can view and download aggregate and CUSIP-level collateral activity information intra-day, and download ex-post reports. This collateral information is provided in addition to the periodic statement(s) of collateral holdings that institutions currently receive from the Collateral Management System (CMS) via email.

Additional information on AMI is available under [Account Services](#) on the Federal Reserve Bank Services Website. Additional information on accessing collateral information through AMI is available in the [Account Management Guide](#) [PDF; 3.4GB].

If collateral information is unavailable in AMI intra-day, institutions should contact their [local Reserve Bank](#) for collateral balances.

Are there limits on intraday credit even when the credit is fully collateralized?

[View](#)

A net debit cap applies to the total collateralized and uncollateralized daylight overdrafts. The Federal Reserve believes that it is prudent to have limits on intraday credit even when the credit is fully collateralized. Limits or caps complement the use of collateral in risk mitigation.

How is a net debit cap calculated?

[View](#)

An institution's net debit cap is calculated as its cap multiple times its capital measure:

Net debit cap = cap multiple x capital measure.

Because an institution's net debit cap is a function of its capital measure, the dollar amount of the cap will vary over time as the institution's capital measure changes. An institution's cap category is normally set for one year, but the Reserve Bank will monitor the condition of all accountholders throughout the year to ensure that they remain eligible for their respective caps.

Does the amount of collateral pledged increase an institution's net debit cap?

[View](#)

Collateralized intraday credit does not increase an institution's net debit cap; it simply offsets the institution's fees associated with an extension of intraday credit. An institution that requires capacity that exceeds its net debit cap must apply for maximum daylight overdraft capacity (max cap). For more information on applying for a max cap, institutions should contact their [local Reserve Bank](#).

What is a max cap?

[View](#)

Maximum daylight overdraft capacity or "max cap" is an institution's net debit cap plus its Federal Reserve approved collateralized capacity. Only institutions with self-assessed net debit caps are eligible to request a max cap from the Federal Reserve.

What is a streamlined max cap procedure for eligible foreign banking organizations (FBOs)?[View](#)

The streamlined max cap procedure offers additional capacity more efficiently to eligible FBOs. Eligible institutions include FBOs that are FHCs or SOSA 1-rated institutions and have a self-assessed net debit cap. The streamlined procedure allows eligible FBOs to request from the Reserve Banks additional capacity of up to 100 percent of worldwide capital times the self-assessed cap multiple without documenting a specific business need for additional capacity or providing a board-of-directors resolution authorizing the request for a max cap.

Are fully collateralized daylight overdrafts in excess of a net debit cap considered a violation of the PSR Policy?[View](#)

The policy allows de minimis, self-assessed, and max cap institutions to fully collateralize up to two cap breaches in two consecutive reserve-maintenance periods without violating the policy.

How can institutions monitor their daylight overdraft position and charges?[View](#)

Throughout the Fedwire® day, institutions can access the Account Management Information (AMI) system to monitor their daylight overdraft positions and collateral information in real time. Ex-post, institutions can access daylight overdraft and charge reports, including collateral information, via AMI and FedLine Direct®.

"FedLine Direct" and "Fedwire" are trademarks or service marks of the Federal Reserve Banks. A complete list of trademarks owned by the Federal Reserve Banks is available at <http://www.frbservices.org/>.

How are institutions charged for daylight overdrafts?[View](#)

The Reserve Banks calculate and assess daylight overdraft charges on the basis of a two-week maintenance period as follows:

- A zero fee applies to collateralized daylight overdrafts for institutions with regular access to the discount window,
- A 50 basis point fee applies to uncollateralized daylight overdrafts for institutions with regular access to the discount window,
- A 150 basis point penalty fee is assessed for daylight overdrafts incurred by institutions that do not have regular access to the discount window and therefore are subject to a penalty fee, and
- A fee waiver of \$150 is subtracted from the gross fees of institutions with regular access to the discount window.

How are daylight overdraft fees calculated for institutions with regular access to the discount window?[View](#)

The Federal Reserve determines the extent to which a daylight overdraft is collateralized by comparing an institution's end-of-minute daylight overdraft balance to the value of FR collateral pledged by the institution (less outstanding extensions of credit) at that minute. If the value of the institution's FR collateral meets or exceeds its daylight overdraft for a given minute, then that minute of overdraft is considered fully collateralized and will receive a zero price. If the daylight overdraft balance exceeds the collateral available for daylight overdraft purposes, the portion of the daylight overdraft that is uncollateralized is included in the calculation of the institution's fees.

In calculating an institution's fees, the value of collateral in the FR account (less outstanding extensions of credit) is subtracted from all negative end-of-minute account balances to determine the institution's uncollateralized negative end-of-minute balances. The uncollateralized negative end-of-minute account balances are summed and divided by the number of minutes in the Fedwire funds transfer operating day to arrive at the daily average uncollateralized daylight overdraft, which is assessed a 50 basis point (annual rate) fee. Daily daylight overdraft fees for each reserve maintenance period are added together and reduced by the amount of the fee waiver (\$150).

For more information on how the Federal Reserve calculates daylight overdraft fees, see the [Overview of the Federal Reserve's Payment System Risk Policy](#) [PDF; 184K] or the [Guide to the Federal Reserve's Payment System Risk Policy](#) [PDF; 603K].

Institutions without regular access to the discount window are not eligible for daylight overdrafts, a zero price for collateralized daylight overdrafts, or the fee waiver. Such institutions are charged a penalty fee for any daylight overdrafts they do incur.

What is a fee waiver?

[View](#)

The fee waiver aims to reduce the burden of the PSR policy on institutions that use small amounts of intraday credit. The amount of the fee waiver is \$150 per institution, per reserve maintenance period. Institutions that incur fees under \$150 in a reserve maintenance period are not assessed any fees. Institutions that incur fees over \$150 in a reserve-maintenance-period have their gross fees reduced by \$150. The fee waiver is not available for institutions without regular access to the discount window. The waiver does not result in refunds or credits to an institution.

Collateral

What collateral is acceptable to pledge for discount window or PSR purposes?

[View](#)

The Federal Reserve Banks will consider accepting as discount window or PSR collateral any assets that meet regulatory standards for sound asset quality. A detailed listing of acceptability criteria is available in [The Federal Reserve System's Collateral Guidelines](#) [PDF; 193K]. Depository institutions should direct questions regarding specific assets to [discount window and payment system risk staff at its Reserve Bank](#).

How can a depository institution monitor its collateral value on an ongoing basis?

[View](#)

An institution can review its Statement of Collateral Holdings to determine the total value of its collateral as well as the collateral value for individual assets. An institution can contact the [discount window and payment system risk staff at its Reserve Bank](#) to sign up for electronic delivery of its collateral statements. Collateral information is also available in Account Management Information (AMI), FedLine Advantage®, and FedLine Direct®.

For certain types of loans, the collateral margins table lists separate margins for "minimal risk rated" and "normal risk rated" loans. What is the difference between "minimal risk rated" and "normal risk rated" loans?

[View](#)

"Minimal risk rated" loans have credit risk levels that are similar to investment grade bonds. "Normal risk rated" loans have credit risk levels that are similar to below investment grade bonds while remaining "pass" credits from a regulatory standpoint. The minimal/normal risk distinction is available for agricultural, commercial, commercial real estate, construction, and raw land loans. An institution can contact [the discount window and payment system risk staff at its Reserve Bank](#) to ensure it receives maximum collateral value for loan types for which the minimal/normal risk distinction can be made.

The collateral margins table shows the margins for loans divided into two groups: "individually deposited" and "group deposited" loans. What is the difference between "individually deposited" and "group deposited" loans?

[View](#)

These terms refer to the way the Federal Reserve Banks receive and maintain information about pledged loans in their Collateral Management System (CMS). Loans that are recorded individually into CMS are considered "individually deposited." Loans are individually deposited if they are pledged through the [Automated Loan Deposit](#) process. Loans held in the custody of a Federal Reserve Bank and pledges of small pools of loans may also be entered into CMS individually. Generally all loans should be individually deposited with the exception of credit card receivables, which continue to be "group deposited."

What if an institution cannot provide its pledged loan listing in a format that is supported by the ALD process?

[View](#)

may be made upon approval by the Reserve Bank. If approved, the institution will be asked to provide additional summary information on pledged loans. In these circumstances, the Federal Reserve calculates an internally modeled fair market value estimate and applies a margin to the loan pool, based on the extent of the institution's ability to provide the requested additional summary information.

How does the Federal Reserve determine the collateral value for pledged loans?

[View](#)

In general, the Federal Reserve seeks to value loan collateral at a fair market value estimate. Margins are applied to the Federal Reserve's fair market value estimate and are designed to account for the risk characteristics of the pledged asset as well as the volatility of the value of the pledged asset over an estimated liquidation period.

The Federal Reserve uses reported cash flow characteristics and proxy credit spreads to calculate a fair market value estimate for each pledged loan. When individual loan cash flow characteristics are not available, the Federal Reserve uses general assumptions to estimate the fair market value of the loan pool.

Margins for loan collateral are likewise based on reported cash flow characteristics. Margins are established based on the historical volatility of risk-free rates and proxy credit spreads, measured over typical liquidation periods.

How does the Federal Reserve determine the collateral value for pledged securities?

[View](#)

In general, the Federal Reserve seeks to value securities collateral at a fair market value estimate. Margins are applied to the Federal Reserve's fair market value estimate and are designed to account for the risk characteristics of the pledged asset as well as the volatility of the value of the pledged asset over an estimated liquidation period.

Securities are valued using prices supplied by external vendors. Securities for which a price is unavailable from Federal Reserve external vendors will receive zero collateral value.

Margins for securities are assigned based on asset type and duration. Margins are established based on the historical price volatility of each category, measured over typical liquidation periods.

May a depository institution pledge asset-backed commercial paper?

[View](#)

Federal Reserve Banks accept investment grade commercial paper. Asset-backed commercial paper (ABCP) is viewed as a particular type of commercial paper and thus is eligible for consideration. Reserve Bank discount window staff may request information on the structure and/or the quality of the underlying assets in order to assign appropriate collateral value.

May a depository institution pledge subprime mortgages and other subprime consumer debt?

[View](#)

The Federal Reserve Banks accept performing consumer loans. This could include subprime mortgages and other subprime consumer debt.

May a depository institution pledge a structured debt obligation containing subprime mortgages in the underlying collateral?

[View](#)

Debt obligations containing subprime mortgages are acceptable as collateral if they meet Federal Reserve Bank acceptability requirements, including credit quality and tranche type. AAA-rated collateralized debt and mortgage obligations are examples of acceptable structured debt obligations.

ink” signatures?

[View](#)

Yes. Loans that are modified to work with customers affected by the coronavirus are eligible to be pledged.

The “[Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus](#),” published March 22, 2020, provided the following guidance:

“Institutions are reminded that loans that have been restructured as described under this statement will continue to be eligible as collateral at the FRB’s discount window based on the usual criteria.”

Regarding loan modifications, under present circumstances, each Reserve Bank has decided loans where modifications have imaged or electronic signatures are eligible to be pledged. Contact [discount window and payment system risk staff at your local Reserve Bank](#) for further information.

May a depository institution pledge loans with electronic signatures as collateral?

[View](#)

Yes. Each Reserve Bank has decided loans with imaged or electronic signatures in lieu of “wet ink” signatures are eligible to be pledged as collateral. Depository institutions should direct questions regarding imaged or electronic signatures to [discount window and payment system risk staff at their local Reserve Bank](#).

May a depository institution pledge SBA-guaranteed loans as collateral?

[View](#)

Loans guaranteed by the Small Business Administration (SBA)—including Paycheck Protection Program (PPP) loans authorized in the “Coronavirus Aid, Relief, and Economic Security Act” or “CARES Act” of 2020—may be pledged as collateral, as described in the [collateral guidelines](#). The SBA-guaranteed portions of such loans receive margins in the “US Agency Guaranteed Loans” category of the [collateral margins table](#). In addition, any unguaranteed portions of SBA-guaranteed loans receive margins according to the loan type.

New ALD Collateral Requirements FAQs

Are institutions required to submit the new ALD collateral reports now?

[View](#)

No. “In-scope” institutions are not *required* to send in the new ALD collateral reports at this time. However, these institutions are encouraged to send in their new collateral reports prior to the May 2019 deadline to ensure they comply with Federal Reserve System requirements.

It was previously communicated that beginning in May 2019, institutions must submit the existing ALD collateral report *and* the new ALD collateral report at the same frequency and on the same “as-of” date as they submit their current reports. As such, beginning in May 2019, the existing ALD collateral report and the new ALD collateral report with the additional loan fields should contain the same set of pledged loans.

What can I expect once my institution sends in a new ALD collateral report?

[View](#)

Once your institution submits a new ALD collateral report, your local Reserve Bank will contact you in the event revisions need to be made (for instance, if formatting errors are present) or if there are questions regarding the loan fields that are provided. In addition, your local Reserve Bank may also contact you in order to plan and perform validation work on the data within the new ALD collateral report (i.e. request for certain pledged loan documentation).

The purpose of the November 28, 2017 communication was to let all “in-scope” institutions account for this effort as part of their information technology project schedule and to begin sourcing the new loan fields. The February 6, 2018 communication provided details to institutions about creating the new loan file as well as some clarifications to loan field definitions. The May 24, 2018 communication begins the 12 month period institutions have to complete construction of the new loan file in accordance with the requirements published on the Discount Window Website. As of **May 2018**, DIs will have **12 months** to ensure that they are able to provide the required loan fields. Beginning in **May 2019**, “in-scope” DIs must submit **both** their existing ALD collateral report as well the new ALD collateral report with the additional loan fields. Those institutions that are not required to submit any additional loan fields do not need to make any changes to their ALD collateral report submission practices.

Where can I find the list of the new required loan fields for “in-scope” institutions?

[View](#)

The set of existing loan fields that are required of all DIs, along with the additional loan fields and corresponding definitions required of "in-scope" DIs, can be found on the [New Automated Loan Deposit \(ALD\) Collateral Requirements page](#). All other institutions do not need to submit any additional loan fields. If your institution has any questions regarding loan field definitions you can submit them [here](#).

How should the new ALD collateral reports be formatted and transmitted to the Federal Reserve?

[View](#)

Details surrounding the new format and transmission methods were published to the Discount Window website on February 6, 2018 and can be found [here](#). “In scope” institutions that have specific questions regarding file construction can submit questions [here](#) or contact their local reserve bank. All other institutions do not need to make any changes to their current pledged loan files or their transmission process.

Should institutions continue to submit their existing ALD collateral reports?

[View](#)

“In-scope” institutions will be required to submit both their current ALD collateral reports as well as the new ALD collateral reports with the additional loan fields in a new format starting in May 2019. The dual file submission process is expected to last approximately 18 months, after which only the new ALD collateral report with the additional required fields will need to be submitted. Those institutions that are not required to submit any additional fields do not need to make any changes to their ALD collateral report submission practices.

If institutions have questions about the new ALD collateral report requirements, who should they contact?

[View](#)

Questions about the new ALD collateral report requirements [can be submitted here](#).

Institutions may also contact their [Federal Reserve Bank's Discount Window collateral staff with any inquiries](#).

Is the Federal Reserve making any changes to collateral eligibility in connection with the new ALD collateral report requirements?

[View](#)

No. The Federal Reserve is not making any changes to collateral eligibility in connection with the new ALD collateral report requirements. Please refer to the [Federal Reserve Collateral Guidelines](#) for questions concerning eligibility.

Will the margins table be affected by these changes?

[View](#)

estimates, which will be announced on a future date.

How will collateral values be affected for institutions that are not required to comply with the new ALD collateral reporting requirements?

[View](#)

The Federal Reserve utilizes the same internal model to derive values for all loan collateral pledged by any institution. Institutions that are not required to comply with the new ALD collateral reporting requirements will receive collateral based on the data provided by the “in-scope” institutions. These values, in addition to the loan data fields that are currently reported to the Federal Reserve, will be used to assign margins and internal fair market value estimates for pledged loans. This will take effect once the testing and calibration of margins and internal fair market value estimates are complete.

Will new ALD collateral reports continue to be “individually deposited” and “group deposited”?

[View](#)

No. In general, new ALD collateral reports for “in-scope” institutions will all be “individually deposited”. “Group deposited” loans will be approved on a case by case basis. The set of existing loan fields that are required of all DIs can be found on the [New ALD Collateral Requirements page](#), while “in scope” DIs can find a detailed list of all additional loan fields with definitions [here](#). Institutions that are not “in-scope” will continue to pledge either “individually deposited” or “group deposited” loans as directed by their [local Federal Reserve Bank](#).

Where is there further information about Discount Window and Payment System Risk collateral?

[View](#)

Additional information is available in the [New Requirements for Automated Loan Deposit section](#) of this website. Information is also available from discount window staff at the [Federal Reserve Banks](#).

Have the ALD file format specifications document changed?

[View](#)

Yes. The ALD file format specifications document has been revised in order to account for clarifications to certain required loan field definitions and formatting requirements. An updated final detailed list of the additional loan fields, along with definitions, can be found [here](#). This document is intended to be in its final form; however, any additional changes deemed necessary will be communicated to institutions as soon as they are known. Changes have been highlighted in a separate document, which can be found [here](#).

Do these requirements apply to pledges of credit cards?

[View](#)

Yes. As noted in a separate FAQ, credit card pledges are to be reported based on credit score “pools,” with each “pool” having a set credit score threshold. Required loan fields for credit card pledges will take the form of sums or weighted averages of all credit card accounts in a given “pool.” Separate submissions of Prime and Subprime credit cards are no longer required for in-scope institutions; since credit card reporting is now “pool”-based, only one submission covering all credit cards is needed. However, the format in which an in-scope institution will be required to deliver the new loan fields will be at the discretion of each Federal Reserve Bank. For instance, your Federal Reserve Bank may require you to build and submit a new loan file in accordance with the file format instructions and specifications included within this communication or may instruct you to follow different file format guidance. Federal Reserve Banks will inform in-scope institutions pledging credit cards of their required format by May 31, 2018. Please note that if your institution currently reports credit card data at the account level, your local Federal Reserve Bank may continue to require this submission for the life of the pledge and will inform you of this requirement by May 31, 2018.

Do these requirements apply to other loan fields that my Federal Reserve Bank requires but are not part of the new request?

No. These requirements do not apply to other loan fields that a local Federal Reserve Bank may collect from a given institution. Your local Federal Reserve Bank will inform you whether these loan fields will continue to be required by May 31, 2018. If so, these loan fields can be appended to the new loan file submission (for any given loan type, this would be to the right of the last loan field required according to the loan file specifications) in the format that is communicated by your [local Federal Reserve Bank](#).

What are the consequences of not submitting the required loan fields?[View](#)

All loan fields displayed within the ALD collateral report format specifications document are required. Collateral valuation adjustments may be applied to pledged loans that are missing required loan fields; these may include the following:

- a. Application of a default value to a missing loan field. Default values are designed to be fair, non-penalizing values based upon the data provided by other "in-scope" institutions.
- b. Assignment of zero collateral value to the impacted loans; or
- c. Other collateral value adjustments as deemed warranted

Notwithstanding the above, there will be a subset of missing loan fields whereby a pledged loan will automatically receive zero collateral value. This subset includes the loan fields of Balance, Interest Rate, Maturity Date, DI Internal Risk Rating, FX/FL Flag, Interest Rate Spread, Credit Bureau Score Current (credit cards only) and APR (credit cards only). This subset may be expanded at the discretion of the Federal Reserve System.

Please note that collateral valuation adjustments will only occur once the new ALD collateral reports are used to calculate collateral values, which is targeted for year-end 2020. Please also note that the intent of the Federal Reserve System is for the required loan fields to be sourced in an automated fashion. If you have concerns regarding your ability to provide the required loan fields, please submit them [here](#) or contact your local Federal Reserve Bank as soon as possible.

Does the definition of a master note include standard lines of credit where the borrower is authorized to make multiple advances?[View](#)

No. A master note is defined as a lending facility in which a borrower has the ability to make one or multiple draws (the cumulative amount of which cannot exceed the master note amount) whereby each draw becomes a distinct loan with its own unique Obligation Number, all of which being reported as separate loan detail records with distinct sets of loan field values. Please note that, as opposed to draws under a master note, draws under a single line of credit are not to be reported as separate pledged loans. Please refer to the [revised ALD Collateral Requirements Definitions](#) and the [Highlighted Loan File Changes](#) documents for more information.

Are the allowable values for the Interest Rate Index loan field meant to capture both domestic and foreign indices?[View](#)

No. The allowable values are only meant to capture domestic interest rate indices. All foreign indices should be categorized as "OT" (Other). Please refer to the [revised ALD Collateral Requirements Definitions](#) and the [Highlighted Loan File Changes](#) documents for more information.

Are there certain loan fields that are the same as data elements required for Y-14 reporting?[View](#)

Yes. Currently, there are 13 loan fields that are the same as data elements required for Y-14 reporting, which are spread across nine loan types. If your institution feels that this information would assist in building the new loan file, please send an e-mail to SYS.ALD.Info@bos.frb.org and it will be made available.

Depending on the type of institution, call report codes should be sourced from either the FFIEC 031/041 report, the NCUA call report (Statement of Financial Condition/Schedule A) or the FFIEC 002 report. Please format call report codes without periods, parentheses or capital letters. For example:

4a

1a1

6c

Will my institution become out-of-scope if it no longer meets the communicated definition?

[View](#)

No. Once your institution has been designated as "in-scope", you will be expected to comply with the new ALD reporting requirements going forward even if your institution does not meet one or more aspects of the "in-scope" definition in the future. Please contact your local FRB with any questions or concerns.

Margins

Why is the Federal Reserve introducing an updated discount window and payment system risk collateral margins table?

[View](#)

The Federal Reserve annually reviews its collateral margins table and models. The changes reflect analytical improvements in the methodology and the use of updated market data. The updated collateral margins table will be effective on July 1, 2019.

Is the Federal Reserve's updated collateral margins table a response to financial conditions or a signal that markets are improving or deteriorating?

[View](#)

No. The Federal Reserve continually conducts reviews and adjusts collateral valuation and margin practices. The updated collateral margins table incorporates improved methodology and updated market data and is not a response to particular financial conditions.

Will the changes negatively impact depository institutions' ability to utilize the discount window and collateralized daylight credit?

[View](#)

The impact on individual depository institutions will vary depending upon the composition of collateral pledged. The lag between the announcement and implementation of the updated collateral margins will provide depository institutions time to work with their Reserve Banks to pledge additional collateral if needed or desired.

Is the Federal Reserve making any changes to collateral eligibility in connection with the updated margins table?

[View](#)

No. There are no changes to collateral eligibility as a result of the updated margins for 2019. Please refer to [Federal Reserve Collateral Guidelines](#) concerning eligibility.

How can a depository institution estimate what its collateral value will be upon implementaton of the updated collateral margins

Discount window staff at each depository institution's [Federal Reserve Bank](#) will provide this information upon request.

How can a depository institution monitor its collateral value on an ongoing basis?

[View](#)

An institution can review its Statement of Collateral Holdings to determine the total value of its collateral as well as the collateral value for security holdings and loan types. An institution should contact its [Federal Reserve Bank](#) to sign up for electronic delivery of its Statement of Collateral Holdings. Institutions that use Account Management Information (AMI) may also view their collateral value through that application. Note that prior to July 1, 2019, these sources will reflect values calculated under the margins table in effect at that time.

How will a depository institution know whether it will need to pledge additional collateral due to the implementation of the updated collateral margins table, effective July 1, 2019?

[View](#)

The Federal Reserve has already begun analyzing all depository institutions' current discount window borrowings and payment system risk collateral requirements relative to their collateral values under the new collateral margins table. The Federal Reserve Banks will notify depository institutions whose pledged collateral would not be sufficient in advance of the implementation date.

Where is there further information about discount window and payment system risk collateral?

[View](#)

Additional information is available in the [collateral section](#) of this website. Information is also available from discount window staff at the [Federal Reserve Banks](#).

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