

## Paycheck Protection Program Liquidity Facility Term Sheet

**Effective Date of Term Sheet:** July 28, 2020.<sup>1</sup>

**Facility:** The Paycheck Protection Program Liquidity Facility (“Facility”), authorized under section 13(3) of the Federal Reserve Act, is intended to facilitate lending by eligible borrowers to small businesses under the Paycheck Protection Program (“PPP Loans”) of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). Under the Facility, the Federal Reserve Banks (“Reserve Banks”) will lend to eligible borrowers on a non-recourse basis, taking PPP Loans as collateral.

**Eligible Borrowers:** All lenders that are eligible to originate PPP Loans are eligible to borrow under the Facility.

### Lending Reserve Bank:

Eligible Borrower Type	Reserve Bank
Depository institution or credit union.	The Reserve Bank in whose District the eligible depository institution is located ( <u>see</u> Regulation D, 12 CFR 204.3(g)(1)–(2), for determining location).
Community development financial institution as defined in 12 U.S.C. § 4702 and certified by the U.S. Treasury (that is not a depository institution or credit union).	Reserve Bank of Cleveland.
Member of the Farm Credit System (that is not a depository institution or credit union).	Reserve Bank of Minneapolis.
Small business lending companies as defined in 13 CFR 120.10 (that is not a depository institution or credit union).	Reserve Bank of Minneapolis.
Other eligible borrower type not listed above.	Reserve Bank of San Francisco.

**Eligible Collateral:** Only PPP Loans guaranteed by the Small Business Administration (“SBA”) are eligible to serve as collateral for the Facility. An eligible borrower may pledge SBA-guaranteed PPP Loans that it has originated or purchased.

**Maturity and Acceleration of Maturity:** The maturity date of an extension of credit under the Facility will equal the maturity date of the PPP Loan pledged to secure the extension of credit. The maturity date of the Facility’s extension of credit will be accelerated if the underlying PPP Loan goes into default and the eligible borrower sells the PPP Loan to the SBA to realize on the SBA guarantee. The maturity date of the Facility’s extension of credit also will be accelerated to the extent of any loan forgiveness reimbursement received by the eligible borrower from the SBA.

**Rate:** Extensions of credit under the Facility will be made at a rate of 35 basis points.

**Fees:** There are no fees associated with the Facility.

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<sup>1</sup> The Board of Governors of the Federal Reserve System (“Board”) and Secretary of the Treasury may make adjustments to the terms and conditions described in this term sheet. Any changes will be announced on the Board’s website.

**Collateral Valuation:** PPP Loans pledged as collateral to secure extensions of credit under the Facility will be valued at the principal amount of the PPP Loan.

**Principal Amount:** The principal amount of an extension of credit under the Facility will be equal to the principal amount of the PPP Loan pledged as collateral to secure the extension of credit.

**Non-Recourse:** Extensions of credit under the Facility are made without recourse to the borrower.

**Regulatory Capital Treatment:** Under section 1102 of the CARES Act, a PPP Loan will be assigned a risk weight of zero percent under the risk-based capital rules of the federal banking agencies. 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 to allow banking organizations to neutralize the effect of PPP Loans financed under the Facility on leverage capital ratios.

**Facility Termination Date:** No new extensions of credit will be made under the Facility after December 31, 2020, unless the Board and the Department of the Treasury determine to extend the Facility.