July 2009

Federal Reserve System Monthly Report on

Credit and Liquidity Programs and the Balance Sheet

Board of Governors of the Federal Reserve System

Purpose

The Federal Reserve prepares this monthly report as part of its efforts to enhance transparency in connection with its various programs to foster market liquidity and financial stability and to ensure appropriate accountability to the Congress and the public concerning policy actions taken to address the financial crisis. The report provides detailed information on the new policy tools that have been implemented since the summer of 2007.[1] The Federal Reserve considers transparency about the goals, conduct, and stance of monetary policy to be fundamental to the effectiveness of monetary policy. The Federal Reserve Act sets forth the goals of monetary policy, specifically ″to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates.″ Since the summer of 2007, the Federal Reserve has undertaken a number of important steps aimed at providing liquidity to important financial markets and institutions to support overall financial stability. Financial stability is a critical prerequisite for achieving sustainable economic growth, and all of the Federal Reserve's actions during the crisis have been directed toward achieving its statutory monetary policy objectives.

For prior editions of this report along with other resources, please visit the Board's public website at http://www.federalreserve.gov/monetarypolicy/bst_reportsresources.htm.

1. Financial information in this report has not been audited. Audited financial data are prepared annually and are available at www.federalreserve.gov/monetarypolicy/bst_fedfinancials.htm.

Contents

Overview 1
Recent Developments 1

System Open Market Account Holdings and Liquidity Arrangements with Foreign Central Banks 3
System Open Market Account (SOMA) Portfolio 3
Liquidity Swaps 4

Lending Facilities to Support Overall Market Liquidity 6
Lending to Depository Institutions 6
Collateral Pledged by Depository Institutions 7
Lending to Primary Dealers 8
Commercial Paper Funding Facility (CPFF) 10
Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF) 10
Term Asset-Backed Securities Loan Facility (TALF) 11

Lending in Support of Specific Institutions 14
Recent Developments 14
Bear Stearns and Maiden Lane LLC 14
American International Group (AIG) 15
Maiden Lane II LLC 17
Maiden Lane III LLC 18
Citigroup 19
Bank of America 19

Federal Reserve System Financial Tables 20
Recent Developments 20
SOMA Financial Summary 20
Loan Programs 21
Consolidated Variable Interest Entities (VIEs) 21

Tables and Figures

Overview **1**
Table 1. Selected Assets, Liabilities, and Capital Accounts of the Federal Reserve System 1
Figure 1. Credit and Liquidity Programs and the Federal Reserve's Balance Sheet 2

System Open Market Account Holdings and Liquidity Arrangements with Foreign Central Banks **3**
Table 2. System Open Market Account (SOMA) Holdings 3
Table 3. Amounts Outstanding under Dollar Liquidity Swaps 4

Lending Facilities to Support Overall Market Liquidity **6**
Table 4. Discount Window Credit Outstanding to Depository Institutions 6
Table 5. Discount Window Credit Outstanding to Depository Institutions—Concentration at Largest Borrowers 6
Table 6. Lending to Depository Institutions—Collateral Pledged by Borrowers 7
Table 7. Securities Pledged by Depository Institutions by Rating 7
Table 8. Discount Window Credit Outstanding to Depository Institutions—Percent of Collateral Used 8
Table 9. Credit Outstanding to Primary Dealers 8
Table 10. Concentration of Borrowing at the PDCF and TSLF 8
Table 11. PDCF Collateral 9
Table 12. PDCF Collateral by Rating 9
Table 13. TSLF Collateral 9
Table 14. TSLF Collateral by Rating 9
Table 15. CPFF Concentration of Largest Issuers 10
Table 16. CPFF Commercial Paper Holdings by Type 10
Table 17. CPFF Commercial Paper Holdings by Rating 10
Table 18. AMLF Number of Borrowers and Amount Outstanding 10
Table 19. AMLF Collateral by Rating 11
Table 20. TALF Number of Borrowers and Loans Outstanding 12
Table 21. TALF Collateral by Underlying Credit Exposure 13
Table 22. TALF Collateral by Rating 13
Table 23. Issuers of Securities that Collateralize Outstanding TALF Loans 13

Lending in Support of Specific Institutions **14**
Table 24. Fair Value Asset Coverage 14
Table 25. Maiden Lane LLC Outstanding Principal Balance of Loans 14
Table 26. Maiden Lane LLC Summary of Portfolio Composition, Cash/Cash Equivalents, and Other Assets and Liabilities 14
Table 27. Maiden Lane LLC Asset Distribution by Type and Rating 15
Figure 2. Maiden Lane LLC Portfolio Distribution 15
Table 28. AIG Revolving Credit Facility 16
Figure 3. AIG Revolving Credit 16
Table 29. Maiden Lane II LLC Outstanding Principal Balance of Senior Loan and Fixed Deferred Purchase Price 17

Table 30. Maiden Lane II LLC Summary of Portfolio Composition and Cash/Cash Equivalents 17
Figure 4. Maiden Lane II LLC Portfolio Distribution..17
Table 31. Maiden Lane II LLC Asset Distribution by Sector and Rating 18
Table 32. Maiden Lane III LLC Outstanding Principal Balance of Senior Loan and Equity Contribution 18
Table 33. Maiden Lane III LLC Summary of Portfolio Composition and Cash/Cash Equivalents 18
Table 34. Maiden Lane III LLC Asset Distribution by CDO Type/Vintage and Rating 18
Figure 5. Maiden Lane III LLC Portfolio Distribution...19

Federal Reserve System Financial Tables..20
Table 35. SOMA Financial Summary 21
Table 36. Interest Income—Loan programs 21
Table 37. Assets and Liabilities of Consolidated Variable Interest Entities...22

Overview

Recent Developments

- In the four weeks since the last monthly report, continued improvements in financial market conditions have been accompanied by further declines in credit extended through many of the Federal Reserve's liquidity programs.
- On June 25, the Federal Reserve announced the extensions through February 1, 2010, of the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF), the Commercial Paper Funding Facility (CPFF), the Primary Dealer Credit Facility (PDCF), the Term Securities Lending Facility (TSLF), and the temporary reciprocal currency arrangements (swap lines) with other central banks. The current expiration dates for the Money Market Investor Funding Facility (MMIFF) and the Term Asset-Backed Securities Loan Facility (TALF) remain set at October 30, 2009, and December 31, 2009, respectively. The Federal Reserve also announced that some TSLF auctions will be suspended, that Term Auction Facility (TAF) auction amounts will be reduced from $150 billion to $125 billion, and that an additional administrative criterion was added for the AMLF.
- The Federal Reserve has continued to purchase large volumes of Treasury, agency, and agency-guaranteed mortgage-backed securities (MBS) under its large-scale asset purchase programs.
- TALF subscriptions in June were approximately $11 billion, supporting primary issuance of 13 asset-backed securities (ABS) deals worth a total of about $16 billion. There were approximately $5 billion in loan requests at the TALF operation on July 7; these requests supported issuance of nine ABS deals worth a total of about $12 billion.
- While the level of reserve balances remains quite high, the drop in use of various lending programs over the past four weeks has resulted in a net decline in reserves.

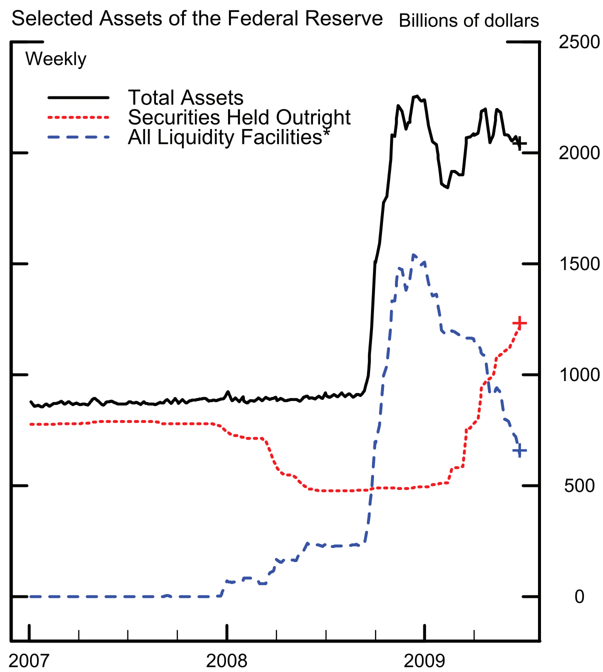
Table 1. Selected Assets, Liabilities, and Capital Accounts of the Federal Reserve System
($ billions)

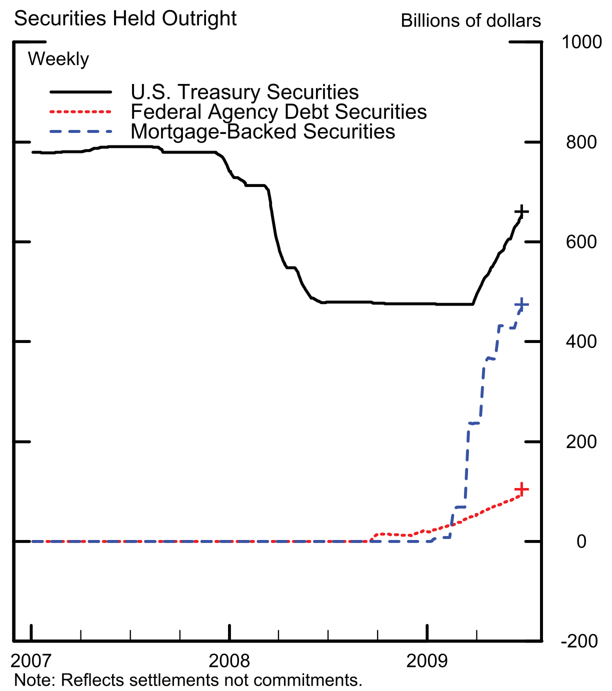
Item	Current June 24, 2009	Change from May 27, 2009	Change from June 25, 2008
Total assets	2,028	−54	+1,133
Selected assets:			
Securities held outright	1,217	+110	+738
U.S. Treasury securities[1]	653	+53	+174
Agency securities[1]	97	+17	+97
Agency-guaranteed mortgage-backed securities[2]	467	+40	+467
Memo: TSLF	7	−21	−98
Lending to depository and other financial institutions	348	−89	+183
Primary, secondary, and seasonal credit	49	+11	+35
TAF	283	−90	+133
PDCF	0	0	−2
AMLF	15	−11	+15
Foreign central bank liquidity swaps[3]	119	−62	+57
Lending through other credit facilities	149	−16	+149
CPFF[4]	124	−25	+124
TALF	25	+10	+25
Support for specific institutions	105	−1	+105
Credit extended to AIG[5]	43	−1	+43
Net portfolio holdings of Maiden Lane I, II, and III[6]	62	0	+62
Total liabilities	1,980	−57	+1,126
Selected liabilities:			
Federal reserve notes in circulation	867	−3	+79
Deposits of depository institutions	745	−132	+732
U.S. Treasury, general account	79	+68	+75
U.S. Treasury, supplementary financing account	200	0	+200
Other deposits	5	+5	+5
Total capital	48	+3	+8

Note: Unaudited. Securities loans under the TSLF are off-balance-sheet transactions. TSLF loans are shown here as a memo item to indicate the portion of securities held outright that have been lent through this program. Components may not add because of rounding.

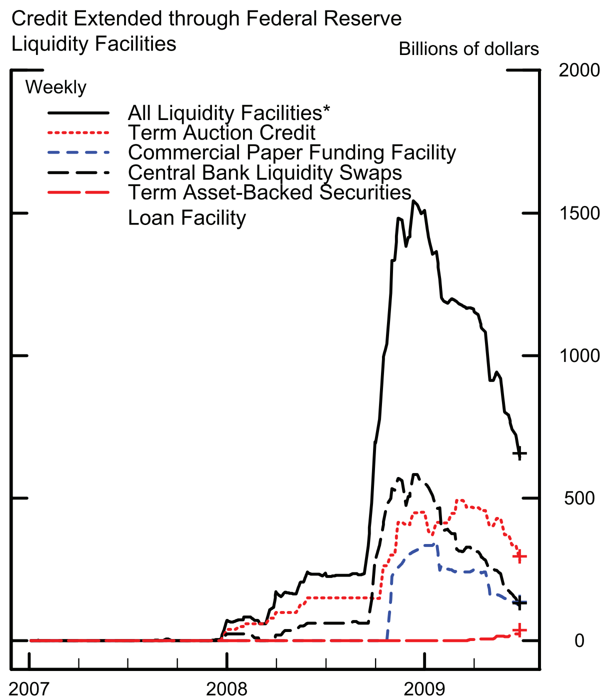
1. Face value.
2. Current face value, which is the remaining principal balance of the underlying mortgages.
3. Dollar value of the foreign currency held under these agreements valued at the exchange rate to be used when the foreign currency is returned to the foreign central bank.
4. Book value of net portfolio holdings, includes commercial paper holdings, net, and about $4 billion in other investments.
5. Excludes credit extended to Maiden Lane II and III.
6. Fair value, reflecting valuations as of March 31, 2009. Fair value reflects an estimate of the price that would be received upon selling an asset if the transaction were to be conducted in an orderly market on the measurement date. Fair values are updated quarterly.

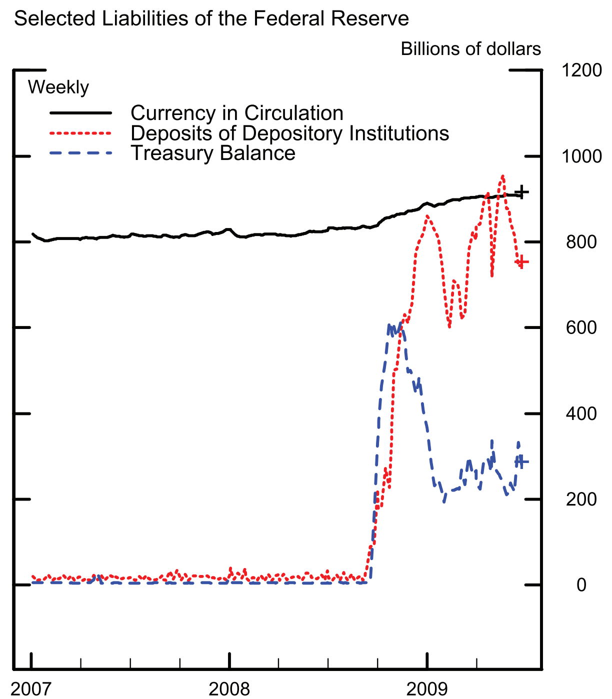
Figure 1. Credit and Liquidity Programs and the Federal Reserve's Balance Sheet





Note: Reflects settlements not commitments.





+ indicates most recent data point. Data are shown through 6/24/2009.

*All Liquidity Facilities includes: Term Auction credit; primary credit; secondary credit; seasonal credit; Primary Dealer Credit Facility; Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility; Term Asset-Backed Securities Loan Facility; Commercial Paper Funding Facility; and central bank liquidity swaps.

System Open Market Account Holdings and Liquidity Arrangements with Foreign Central Banks

System Open Market Account (SOMA) Portfolio

Recent Developments

- The SOMA portfolio has continued to expand in recent weeks, reflecting Federal Reserve purchases of securities under the large-scale asset purchase programs (LSAPs) announced by the Federal Open Market Committee (FOMC).
- As of June 24, the Federal Reserve had settled purchases of about $177 billion in Treasury securities, $95 billion in agency debt, and $467 billion in agency-guaranteed mortgage-backed securities. The settled purchases to date have increased the size of the SOMA portfolio to well over twice the level prevailing in August 2008.
- So far, about 85 percent of the Treasury purchases have been nominal Treasury securities in the 2- to 10-year maturity range and 13 percent in maturities greater than 10 years. The remainder of the purchases has been in Treasury Inflation-Protected Securities (TIPS) and nominal securities maturing in less than two years.

Background

Open market operations (OMOs)—the purchase and sale of securities in the open market by a central bank—are a key tool used by the Federal Reserve in the implementation of monetary policy. Historically, the Federal Reserve has used OMOs to adjust the supply of reserve balances so as to keep the federal funds rate around the target federal funds rate established by the FOMC. OMOs are conducted by the Trading Desk at the Federal Reserve Bank of New York (FRBNY), which acts as agent for the FOMC. The range of securities that the Federal Reserve is authorized to purchase and sell is relatively limited. The authority to conduct OMOs is found in section 14 of the Federal Reserve Act.

OMOs can be divided into two types: permanent and temporary. Permanent OMOs are outright purchases or sales of securities for the System Open Market Account, the Federal Reserve's portfolio. Permanent OMOs are generally used to accommodate the longer-term factors driving the expansion of the Federal Reserve's balance sheet, principally the trend growth of currency in circulation. Temporary OMOs are typically used to address reserve needs that are deemed to be transitory in nature. These operations are either repurchase agreements (repos) or reverse repurchase agreements (reverse repos). Under a repo, the Trading Desk buys a security under an agreement to resell that security in the future. A repo is the economic equivalent of a collateralized loan, in which the difference between the purchase and sale prices reflects the interest on the loan.

Each OMO affects the Federal Reserve's balance sheet; the size and nature of the effect depends on the specifics of the operation. The Federal Reserve publishes its balance sheet each week in the H.4.1 statistical release, "Factors Affecting Reserve Balances of Depository Institutions and Consolidated Statement of Condition of Reserve Banks." The release separately reports securities held outright, repos, and reverse repos (www.federalreserve.gov/releases/h41).

The Federal Reserve's approach to the implementation of monetary policy has evolved considerably since 2007, and particularly so since late 2008. The FOMC has established a near-zero target range for the federal funds rate, implying that the very large volume of reserve balances provided through the various liquidity facilities is consistent with the FOMC's funds rate objectives. In addition, open market operations have provided increasing amounts of reserve balances. To help reduce the cost and increase the availability of credit for the purchase of houses, on November 25, 2008, the Federal Reserve announced that it would buy direct obligations of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks and mortgage-backed secu-

Table 2. System Open Market Account (SOMA) Holdings
As of June 24, 2009

Security type	Total par value ($ billions)
U.S. Treasury bills	18
U.S. Treasury notes and bonds	587
Treasury Inflation-Protected Securities[1]	43
Federal agency securities[2]	97
Mortgage-backed securities[3]	467
Total SOMA holdings	1,212

Note: Unaudited.

1. Does not reflect inflation compensation of about $5 billion.
2. Direct obligations of Fannie Mae, Freddie Mac, and Federal Home Loan Banks.
3. Guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Current face value of the securities, which is the remaining principal balance of the underlying mortgages.

rities guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. The Federal Reserve determined that supporting the MBS "dollar roll" market promotes the goals of the MBS purchase program. Dollar roll transactions, which consist of a purchase of securities combined with an agreement to sell securities in the future, provide short-term financing to the MBS market. Because of principal and interest payments and occasional delays in the settlement of transactions, the Federal Reserve also has some uninvested cash associated with the mortgage-backed securities purchase program. The FOMC has authorized purchases of up to $1.25 trillion of agency MBS and up to $200 billion of agency direct obligations by the end of this year. The Federal Reserve's outright holdings of mortgage-backed securities are reported in tables 1, 3, 9, and 10 of the H.4.1 statistical release.

In March 2009, the FOMC announced that it would also purchase up to $300 billion of longer-term Treasury securities over the next six months to help improve conditions in private credit markets. The Federal Reserve has purchased a range of securities across the maturity spectrum, including TIPS. The bulk of purchases have been in intermediate maturities. The Federal Reserve conducts purchases through regular auctions, with the auction results posted to the FRBNY website at www.newyorkfed.org/markets/openmarket.html.

Liquidity Swaps

Recent Developments

- Usage of the Federal Reserve's foreign central bank dollar liquidity swaps has continued to decline in recent weeks, consistent with a general improvement of conditions in short-term funding markets.
- As shown in Table 3, as of June 24, total dollar liquidity extended to foreign central banks had dropped to $119 billion.
- On June 25, the Federal Reserve announced the extension of its dollar and foreign currency liquidity swap arrangements with other central banks through February 1, 2010. The Bank of Japan will consider the extension of the liquidity swap arrangements with the Federal Reserve (currently authorized through October 30, 2009), and will announce its decision following its next Monetary Policy Meeting.

Background

Because of the global character of bank funding markets, the Federal Reserve has worked with other central banks in providing liquidity to financial markets and institutions. As part of these efforts, the FRBNY has entered into agreements to establish temporary reciprocal currency arrangements (central bank liquidity swap lines) with a number of foreign central banks. Two types of temporary swap lines have been established—dollar liquidity lines and foreign-currency liquidity lines.

The FRBNY operates swap lines under the authority in section 14 of the Federal Reserve Act and in compliance with authorizations, policies, and procedures established by the FOMC.

Dollar Liquidity Swaps

On December 12, 2007, the FOMC announced that it had authorized dollar liquidity swap lines with the European Central Bank and the Swiss National Bank to provide liquidity in U.S. dollars to overseas markets. Subsequently, the FOMC authorized dollar liquidity swap lines with additional central banks. The FOMC has authorized through February 1, 2010, the arrangements between the Federal Reserve and each of the following central banks: the Reserve Bank of Australia, the Banco Central do Brasil, the Bank of Canada, Danmarks Nationalbank, the Bank of England, the European Central Bank, the Bank of Korea, the Banco de Mexico, the Reserve Bank of New Zealand, Norges Bank, the Monetary Authority of Singapore, Sveriges Riksbank, and the Swiss National Bank. The Bank of Japan will consider the extension of the dollar liquidity swap arrangement with the Federal Reserve (currently authorized through October 30, 2009), and will announce its decision following its next Monetary Policy Meeting.

Swaps under these lines consist of two transactions. When a foreign central bank (FCB) draws on its swap line with the FRBNY, the FCB sells a specified

Table 3. Amounts Outstanding under Dollar Liquidity Swaps

Central bank	Amount ($ billions) 6/24/2009	Amount ($ billions) 12/31/2008
Bank of Canada	0	0
Banco de Mexico	3	0
European Central Bank	60	291
Swiss National Bank	0	25
Bank of Japan	18	123
Bank of England	3	33
Danmarks Nationalbank	4	15
Reserve Bank of Australia	0	23
Sveriges Riksbank	17	25
Norges Bank	5	8
Reserve Bank of New Zealand	0	0
Bank of Korea	10	10
Banco Central do Brasil	0	0
Monetary Authority of Singapore	0	0
Total	119	554

Note: Unaudited. Components may not add because of rounding.

amount of its currency to the FRBNY in exchange for dollars at the prevailing market exchange rate. The FRBNY holds the foreign currency in an account at the FCB. The dollars that the FRBNY provides are deposited in an account that the FCB maintains at the FRBNY. At the same time, the FRBNY and the FCB enter into a binding agreement for a second transaction that obligates the FCB to buy back its currency on a specified future date at the same exchange rate. The second transaction unwinds the first. Because the swap transaction will be unwound at the same exchange rate used in the initial transaction, the recorded value of the foreign currency amounts is not affected by changes in the market exchange rate. At the conclusion of the second transaction, the FCB pays interest at a market-based rate to the FRBNY.

When the FCB lends the dollars it obtained by drawing on its swap line to institutions in its jurisdiction, the dollars are transferred from the FCB account at the FRBNY to the account of the bank that the borrowing institution uses to clear its dollar transactions. The FCB remains obligated to return the dollars to the FRBNY under the terms of the agreement, and the FRBNY is not a counterparty to the loan extended by the FCB. The FCB bears the credit risk associated with the loans it makes to institutions in its jurisdiction.

The foreign currency that the Federal Reserve acquires is an asset on the Federal Reserve's balance sheet. In tables 1, 9, and 10 of the H.4.1 statistical release, the dollar value of amounts that the foreign central banks have drawn but not yet repaid is reported in the line entitled *Central bank liquidity swaps.* Dollar liquidity swaps have maturities ranging from overnight to three months. Table 2 of the H.4.1 statistical release reports the remaining maturity of outstanding dollar liquidity swaps.

Foreign-Currency Liquidity Swap Lines

On April 6, 2009, the FOMC announced foreign-currency liquidity swap lines with the Bank of England, the European Central Bank, the Bank of Japan, and the Swiss National Bank. These lines are designed to provide the Federal Reserve with the capacity to offer liquidity to U.S. institutions in foreign currency should a need arise. These lines mirror the existing dollar liquidity swap lines, which provide FCBs with the capacity to offer U.S. dollar liquidity to financial institutions in their jurisdictions. If drawn upon, the foreign-currency swap lines would support operations by the Federal Reserve to address financial strains by providing liquidity to U.S. institutions in amounts of up to £30 billion (sterling), €80 billion (euro), ¥10 trillion (yen), and CHF 40 billion (Swiss francs). The FOMC has authorized these liquidity swap lines with the Bank of England, the European Central Bank, and the Swiss National Bank through February 1, 2010. The Bank of Japan will consider the extension of the foreign-currency liquidity swap arrangement with the Federal Reserve (currently authorized through October 30, 2009) and will announce its decision following its next Monetary Policy Meeting. So far, the Federal Reserve has not drawn on these swap lines.

Lending Facilities to Support Overall Market Liquidity

Lending to Depository Institutions

Recent Developments

- Credit provided to depository institutions through the discount window and the Term Auction Facility (TAF) has continued to decline, primarily reflecting reductions in loans outstanding under the TAF.
- Recent TAF auctions have been undersubscribed and, as a result, the auction rate has been equal to the minimum bid rate of 25 basis points for some time.
- The July TAF auctions will be reduced in size to $125 billion. The Federal Reserve anticipates that TAF auction sizes will gradually be reduced further if market conditions continue to improve in coming months.

Background

The discount window helps to relieve liquidity strains for individual depository institutions and for the banking system as a whole by providing a source of funding in time of need. Much of the statutory framework that governs lending to depository institutions is contained in section 10B of the Federal Reserve Act, as amended. The general policies that govern discount window lending are set forth in the Board's Regulation A. Depository institutions have, since 2003, had access to three types of discount window credit—primary credit, secondary credit, and seasonal credit. Primary credit is available to depository institutions in generally sound financial condition with few administrative requirements. Secondary credit may be provided to depository institutions that do not qualify for primary credit subject to review by the lending Reserve Bank. Seasonal credit provides short-term funds to smaller depository institutions that experience regular seasonal swings in loans and deposits. In December 2007, the Federal Reserve introduced the TAF, which provides credit through an auction mechanism to depository institutions in generally sound financial condition. All regular discount window loans and TAF loans must be fully collateralized to the satisfaction of the lending Reserve Bank, with an appropriate "haircut" applied to the value of the collateral.

In extending credit to depository institutions, the Federal Reserve closely monitors the financial condition of borrowers. Monitoring the financial condition of depository institutions is a four-step process designed to minimize the risk of loss to the Federal Reserve posed by weak or failing depository institutions. The first step is monitoring, on an ongoing basis, the safety and soundness of all depository institutions that access or may access the discount window and the payment services provided by the Federal Reserve. The second step is identifying institutions whose condition, characteristics, or affiliation would present higher-than-acceptable risk to the Federal Reserve in the absence of controls on their access to Federal Reserve lending facilities and other Federal Reserve services. The third step is communicating—to staff within the Federal Reserve System and to other supervisory agencies, if and when necessary—relevant information about those institutions identified as posing higher risk. The fourth step is implementing appropriate measures to mitigate the risks posed by such entities.

Table 4. Discount Window Credit Outstanding to Depository Institutions

Daily average borrowing for each class of borrower over four weeks ending June 24, 2009

Type and size of borrower	Average number of borrowers[1]	Average borrowing ($ billions)[2]
Commercial banks[3]		
Assets: more than $50 billion	26	212
Assets: $5 billion to $50 billion	57	132
Assets: $250 million to $5 billion	139	18
Assets: less than $250 million	94	1
Thrift institutions and credit unions	48	8
Total	364	371

Note: Includes primary, secondary, seasonal, and Term Auction Facility credit. Size categories based on total domestic assets as of March 31, 2009. Components may not sum to total because of rounding.

1. Average daily number of depository institutions with credit outstanding. Over this period, a total of 576 institutions borrowed.
2. Average daily borrowing by all depositories in each category.
3. Includes branches and agencies of foreign banks.

Table 5. Discount Window Credit Outstanding to Depository Institutions—Concentration at Largest Borrowers

For four weeks ending June 24, 2009

Ranking	Number of borrowers	Daily average borrowing ($ billions)
Rank by amount of borrowing		
Top five	5	127
Next five	5	58
Other	354	186
Total	364	371

Note: Amount of primary, secondary, seasonal, and TAF credit extended to the top five and next five borrowers on each day, as ranked by daily average borrowing. Components may not sum to total because of rounding.

At the heart of the condition monitoring process is an internal rating system that provides a framework for identifying institutions that may pose undue risks to the Federal Reserve. The rating system relies mostly on information from each institution's primary supervisor, including CAMELS ratings,[1] to identify potentially problematic institutions and classify them according to the severity of the risk they pose to the Federal Reserve. Having identified institutions that pose a higher risk, the Federal Reserve then puts in place a standard set of risk controls that become increasingly stringent as the risk posed by an institution grows; individual Reserve Banks may implement additional risk controls to further mitigate risk if they deem it necessary.

Collateral Pledged by Depository Institutions

Recent Developments

- As indicated in Table 6, total collateral pledged by borrowing depository institutions was about $900 billion as of June 24, almost three times the amount of credit outstanding.

Background

All extensions of credit by the Federal Reserve must be secured to the satisfaction of the lending Reserve Bank by "acceptable collateral." Assets accepted as collateral are assigned a lendable value deemed appropriate by the Reserve Bank; lendable value is determined as the market price of the asset less a haircut. When a market price is not available, a haircut may be applied to the outstanding balance or a valuation based on an asset's cash flow. Haircuts reflect credit risk and, for traded assets, the historical volatility of the asset's price and the liquidity of the market in which the asset is traded; the Federal Reserve's haircuts are generally in line with typical market practice. The Federal Reserve applies larger haircuts, and thus assigns lower lendable values, to assets for which no market price is available relative to comparable assets for which a market price is available. Borrowers may be required to pledge additional collateral if their financial condition weakens. Collateral is pledged under the terms and conditions specified in the Federal Reserve Banks' standard lending agreement, Operating Circular No. 10. (www.frbservices.org/files/regulations/pdf/operating_circular_10.pdf).

1. CAMELS is a rating system employed by banking regulators to assess the soundness of depository institutions. CAMELS is an acronym that stands for Capital, Assets, Management, Earnings, Liquidity, and Sensitivity.

Table 6. Lending to Depository Institutions—Collateral Pledged by Borrowers

As of June 24, 2009

Type of collateral	Lendable value ($ billions)
Loans	
Commercial	235
Residential mortgage	88
Commercial real estate	90
Consumer	78
Securities	
US Treasury/agency	13
Municipal	33
Corporate market instruments	47
MBS/Collateralized Mortgage Obligations (CMO):	
Agency-backed	73
MBS/CMO: Other	34
Asset-backed	155
International (sovereign, agency, municipal, and corporate)	53
Total	899

Note: Collateral pledged by borrowers of primary, secondary, seasonal, and TAF credit as of the date shown. Total primary, secondary, seasonal, and TAF credit on this date was $332 billion. The lendable value of collateral pledged by all depository institutions, including those without any outstanding loans, was $1,570 billion. Lendable value is value after application of appropriate haircuts. Components may not sum to total because of rounding.

Discount window loans and extensions of credit through the TAF are made with recourse to the borrower beyond the pledged collateral. Nonetheless, collateral plays an important role in mitigating the credit risk associated with these extensions of credit. The Federal Reserve generally accepts as collateral for discount window loans and TAF credit any assets that meet regulatory standards for sound asset quality. This category of assets includes most performing loans and most investment-grade securities, although for some types of securities (including commercial mortgage-backed securities, collateralized debt obligations, collateralized loan obligations, and certain non-dollar-denominated foreign securities) only AAA-rated

Table 7. Securities Pledged by Depository Institutions by Rating

As of June 24, 2009

Type of security and rating	Lendable value ($ billions)
U.S. Treasury, agency and agency-guaranteed securities	117
Other securities	
AAA	211
Aa/AA[1]	48
A[2]	71
Baa/BBB[3]	28
Other investment-grade[4]	120
Total	595

Note: Lendable value for all institutions that have pledged collateral including those that were not borrowing on the date shown. Lendable value is value after application of appropriate haircuts. Components may not sum to total because of rounding.

1. Includes short-term securities with A-1+ rating or MIG1 or SP-1+ municipal bond rating.

2. Includes short-term securities with A-1 rating or SP-1 municipal bond rating.

3. Includes short-term securities with A-2, P-2, A-3, or P-3 rating.

4. Determined based on credit review by Reserve Bank.

Table 8. Discount Window Credit Outstanding to Depository Institutions—Percent of Collateral Used
As of June 24, 2009

Percent of collateral used	Number of borrowers	Total borrowing ($ billions)
Over 0 and under 25	101	49
25 to 50	115	63
50 to 75	108	140
75 to 90	50	79
Over 90	16	1
Total	390	332

Note: Components may not add to total because of rounding.

securities are accepted. Institutions may not pledge as collateral any instruments that they or their affiliates have issued. Additional collateral is required for discount window and TAF loans with remaining maturity of more than 28 days—for these loans, borrowing only up to 75 percent of available collateral is permitted. To ensure that they can borrow from the Federal Reserve should the need arise, many depository institutions that do not have an outstanding discount window or TAF loan nevertheless routinely pledge collateral.

Collateral

As shown in Table 8, most depository institutions that borrow from the Federal Reserve maintain collateral well in excess of their current borrowing levels.

Lending to Primary Dealers

Recent Developments

- Borrowing at the Term Securities Lending Facility (TSLF) continued to decline in recent weeks as a result of further improvement in the conditions in money markets. There has been no borrowing at the Primary Dealer Credit Facility (PDCF) since mid-May.
- On June 25, the Federal Reserve announced the extension of the PDCF and TSLF through February 1, 2010. However, starting in July, TSLF Schedule 1 and Term Securities Lending Facility Options Program (TOP) auctions will be suspended.

Table 9. Credit Outstanding to Primary Dealers
As of June 24, 2009

Number of borrowers	Borrowing under primary dealer credit facility (PDCF) ($ billions)	Borrowing under term securities lending facility (TSLF) ($ billions)
*	0	7

Note: Borrowing figures represent total amounts of PDCF and TSLF credit extended on June 24, 2009. The total reported for the TSLF represents the par value of securities lent.
* Three or fewer borrowers.

Table 10. Concentration of Borrowing at the PDCF and TSLF
As of June 24, 2009

	Number of borrowers	Daily average borrowing ($ billions)
Rank by amount of borrowing		
Top five	*	7
Next five	NA	NA
Other	NA	NA
Total	*	7

NA – Not applicable
* Three or fewer borrowers.

Background

On March 16, 2008, the Federal Reserve announced the creation of the PDCF, which is an overnight loan facility that provides funding to primary dealers and helps foster improved conditions in financial markets more generally. The Federal Reserve Board has authorized the extension of credit from the PDCF through February 1, 2010. While there is currently no borrowing under the PDCF, the Board believes that it is appropriate to continue to provide the PDCF as a backstop facility in the near term, while financial market conditions remain somewhat fragile.

PDCF credit is fully secured by collateral with appropriate haircuts—that is, the value of the collateral exceeds the value of the loan extended. Initially, eligible collateral was restricted to investment-grade securities. On September 14, 2008, the eligible set of collateral was broadened to closely match the types of instruments that can be pledged in the tri-party repurchase agreement systems of the two major clearing banks. On September 21 and November 23, 2008, the Federal Reserve Board authorized the extension of credit to a set of other securities dealers on terms very similar to the PDCF. Credit extended under either program is reported in table 1 of the H.4.1 statistical release as "Primary dealer and other broker-dealer credit" and is included in "Other loans" in tables 9 and 10 of the H.4.1 release.

On March 11, 2008, the Federal Reserve announced the creation of the TSLF. Under the TSLF, the FRBNY lends Treasury securities to primary dealers for 28 days against eligible collateral in two types of auctions. For so-called "Schedule 1" auctions, the eligible collateral consists of Treasury securities, agency securities, and agency-guaranteed mortgage-backed securities. For "Schedule 2" auctions, the eligible collateral includes Schedule 1 collateral plus highly rated private securities. In mid-2008, the Federal Reserve introduced the Term Securities Lending Facility Options Program (TOP), which offers options to primary dealers to draw upon short-term, fixed-rate TSLF loans from the SOMA portfolio in exchange for program-eligible

Table 11. PDCF Collateral
As of June 24, 2009

Type of collateral	Lendable value ($ billions)
Securities	
U.S. Treasury/agency	0
Municipal	0
Corporate market instruments	0
MBS/CMO: agency-guaranteed	0
MBS/CMO: other	0
Asset-backed	0
International (sovereign, agency, and corporate)	0
Equity	0
Loans	0
Other	0
Total	0

Note: Collateral pledged by borrowers of PDCF and related credit to primary dealers as of the date shown. Credit on that date totaled $0 billion. Lendable value is value after application of appropriate haircuts. Components may not sum to total because of rounding.

collateral. The TOP program is intended to enhance the effectiveness of TSLF by offering added liquidity over periods of heightened collateral market pressures, such as quarter-end dates. The Federal Reserve Board has authorized the extension of credit from the TSLF through February 1, 2010. TSLF Schedule 1 and TOP auctions, however, were suspended effective July 2009 in light of considerably lower use of the facility.

The TSLF and TOP programs support the liquidity of primary dealers and foster improved conditions in financial markets more generally. Securities lent through these programs are reported in table 1A of the H.4.1 statistical release.

In addition to the TSLF and TOP, the Federal Reserve has long operated an overnight securities lending facility as a vehicle to address market pressures for specific Treasury securities that are particularly sought after. Amounts outstanding under that program are, generally, fairly modest, and these are also reported in table 1A of the H.4.1 statistical release.

Table 12. PDCF Collateral by Rating
As of June 24, 2009

Type of collateral	Lendable value ($ billions)
U.S. Treasury/agency securities	0
Other securities	
Aaa/AAA	0
Aa/AA	0
A	0
Baa/BBB	0
Ba/BB	0
B/B	0
Caa/CCC or below	0
Unrated securities	0
Equity	0
Total	0

Note: Collateral pledged by borrowers of PDCF and related credit to primary dealers as of the date shown. Credit on that date totaled $0 billion. Lendable value is value after application of appropriate haircuts. Components may not sum to total because of rounding.

Table 13. TSLF Collateral
As of June 24, 2009

Type of collateral	Lendable value ($ billions)
Securities	
U.S. Treasury/agency	*
Municipal	*
Corporate	1
MBS/CMO: agency-guaranteed	3
MBS/CMO: other	1
Asset-backed	3
Total	8

Note: Collateral pledged by borrowers of TSLF as of the date shown. Borrowing on the date shown was $7 billion. Lendable value is value after application of appropriate haircuts. Components may not sum to total because of rounding.
* Less than $500 million.

Collateral

Eligible collateral for loans extended through the PDCF includes all assets eligible for tri-party repurchase agreement arrangements through the major clearing banks as of September 12, 2008. The amount of PDCF credit extended to any dealer may not exceed the lendable value of eligible collateral that the dealer has provided to the FRBNY. The collateral is valued by the clearing banks; values are based on prices reported by a number of private-sector pricing services widely used by market participants. Loans extended under the PDCF are made with recourse beyond the collateral provided by the primary dealer entity itself.

Transactions under the TSLF involve lending securities rather than cash; a dealer borrows Treasury securities from the Federal Reserve and provides another security as collateral. Eligible collateral is determined by the Federal Reserve. Currently, two schedules of collateral are defined. Schedule 1 collateral is Treasury, agency, and agency-guaranteed mortgage-backed securities. Schedule 2 collateral is investment-grade corporate, municipal, mortgage-backed, and asset-backed securities, as well as Schedule 1 collateral. Haircuts on posted collateral are determined by the FRBNY using methods consistent with current market practices.

Table 14. TSLF Collateral by Rating
As of June 24, 2009

Type of collateral	Lendable value ($ billions)
U.S. Treasury, agency, and agency-guaranteed securities	3
Other securities	
Aaa/AAA	1
Aa/AA	1
A/A-1	1
Baa/BBB	2
Total	8

Note: Collateral pledged by borrowers of TSLF on the date shown. Borrowing on that date was $7 billion. Lendable value is value after application of appropriate haircuts. TSLF collateral must be investment-grade. Components may not sum to total because of rounding.

Breakdowns of TSLF collateral by asset type and credit rating are shown in Tables 13 and 14, respectively.

Commercial Paper Funding Facility (CPFF)

Recent Developments

- A significant portion of maturing paper in the CPFF over recent weeks has not been rolled over. Improvements in market conditions have allowed some borrowers to obtain financing from private investors in the commercial paper market or from other sources.
- On June 25, the Federal Reserve announced that the CPFF will be extended through February 1, 2010.

Background

The CPFF is a facility, authorized under section 13(3) of the Federal Reserve Act, that supports liquidity in the commercial paper markets. The CPFF provides a liquidity backstop to U.S. issuers of commercial paper through a specially created limited liability company (LLC) called the CPFF LLC. This LLC purchases three-month unsecured and asset-backed commercial paper directly from eligible issuers. The FRBNY provides financing to the LLC, and the FRBNY's loan to the LLC is secured by all of the assets of the LLC, including those purchased with the cumulated upfront fees paid by the issuers. Breakdowns of commercial paper held in the CPFF LLC, by type and credit rating, are shown in Tables 16 and 17, respectively.

Table 15. CPFF Concentration of Largest Issuers
For four weeks ending June 24, 2009

Rank	Number of borrowers	Daily average borrowing ($ billions)
Rank by amount of commercial paper (CP)		
Top five issuers	5	50
Next five issuers	5	27
Other issuers	40	57
Total	50	134

Note: Amount of commercial paper held in the CPFF that was issued by the top five and the next five issuers on each day. Components may not sum to total because of rounding.

Table 16. CPFF Commercial Paper Holdings by Type
As of June 24, 2009

Type of commercial paper	Value ($ billions)
Unsecured commercial paper	
Issued by financial firms	45
Issued by nonfinancial firms	*
Asset-backed commercial paper	76
Total	121

Note: Components may not sum to total because of rounding; does not include $4 billion in accumulated earnings invested in other liquid assets.
* Less than $500 million.

Table 17. CPFF Commercial Paper Holdings by Rating
As of June 24, 2009

Type of collateral	Value ($ billions)
Commercial paper with rating[1]	
A-1/P-1/F-1	117
Split-rated	3
Downgraded after purchase	*
Total	121

Note: Components may not sum to total because of rounding; does not include $4 billion of other investments.
1. The CPFF purchases only U.S. dollar-denominated commercial paper (including asset-backed commercial paper (ABCP)) that is rated at least A-1/P-1/F-1 by Moody's, S&P, or Fitch, and, if rated by more than one of these rating organizations, is rated at least A-1/P-1/F-1 by two or more. "Split-rated" is acceptable commercial paper that has received an A-1/P-1/F-1 rating from two rating organizations and a lower rating from a third rating organization. Some pledged commercial paper was downgraded below split-rated after purchase; the facility holds such paper to maturity.
* Less than $500 million.

The CPFF was announced on October 7, 2008. It is administered by the FRBNY, and the assets and liabilities of the LLC are consolidated onto the balance sheet of the FRBNY. The net assets of the LLC are shown in tables 1, 9, and 10 of the H.4.1 statistical release, and primary accounts of the LLC are presented in table 7 of the H.4.1. The Federal Reserve Board has authorized the extension of credit from the CPFF through February 1, 2010.

Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF)

Recent Developments

- The amount of credit outstanding under the AMLF has declined over recent weeks in concert with the overall improvement in funding markets.
- On June 25, the Federal Reserve announced that the AMLF will be extended through February 1, 2010. In addition, a redemption threshold was established for use of the facility; under this requirement, a money market mutual fund (MMMF) must experience material outflows—defined as at least 5 percent of net assets in a single day or at least 10 percent of net assets within the prior five business days—before asset-backed commercial paper (ABCP) that it sells would be eligible collateral for the AMLF.

Table 18. AMLF Number of Borrowers and Amount Outstanding
Daily average for four weeks ending June 24, 2009

Lending program	Number of institutions	Borrowing ($ billions)
Asset-Backed Commercial Paper Lending Facility (AMLF)	*	21

* Three or fewer borrowers.

Background

The AMLF is a lending facility that finances the purchases of high-quality asset-backed commercial paper from money market mutual funds (MMMFs) by U.S. depository institutions and bank holding companies. The program is intended to assist money funds that hold such paper to meet the demands for redemptions by investors and to foster liquidity in the ABCP market and money markets more generally. The loans extended through the AMLF are non-recourse loans; as a result, the Federal Reserve has rights only to the collateral securing the loan if the borrower elects not to repay. To help ensure that the AMLF is used for its intended purpose of providing a temporary liquidity backstop to MMMFs, the Federal Reserve has established a redemption threshold for use of the facility. Under this requirement, a MMMF must experience material outflows—defined as at least 5 percent of net assets in a single day or at least 10 percent of net assets within the prior five business days—before asset-backed commercial paper (ABCP) that it sells would be eligible collateral for AMLF loans to depository institutions and bank holding companies. Any eligible ABCP purchased from a MMMF that has experienced redemptions at these thresholds could be pledged to AMLF at any time within the five business days following the date that the threshold level of redemptions was reached.

The initiation of the AMLF, announced on September 19, 2008, relied on authority under section 13(3) of the Federal Reserve Act. It is administered by the Federal Reserve Bank of Boston, which is authorized to make AMLF loans to eligible borrowers in all 12 Federal Reserve Districts. Lending through the AMLF is presented in table 1 of the H.4.1 statistical release and is included in "Other loans" in tables 9 and 10 of the H.4.1. The Federal Reserve Board has authorized extension of credit through the AMLF through February 1, 2010.

Collateral

Collateral eligible for the AMLF is limited to ABCP that:

- was purchased by the borrower on or after September 19, 2008 from a registered investment company that holds itself out as a MMMF and has experienced recent material outflows;
- was purchased by the borrower at the mutual fund's acquisition cost as adjusted for amortization of premium or accretion of discount on the ABCP through the date of its purchase by the borrower;

Table 19. AMLF Collateral by Rating

As of June 24, 2009

Type of collateral	Value ($ billions)
Asset-backed commercial paper with rating	
A-1/P-1/F-1 and not on watch for downgrade	15
A-1/P-1/F-1 but on watch for downgrade[1]	0
Below A-1/P-1/F-1[1]	0
Total	15

Note: Components may not sum to total because of rounding.

1. The AMLF accepts only U.S.-dollar denominated asset-backed commercial paper (ABCP) that is not rated lower than A-1, F-1, or P-1 by Moody's, S&P, or Fitch, and (effective April 22, 2009) is not on watch for downgrade. Collateral that is on watch for downgrade or is rated below rated A-1/P-1/F-1 is ABCP that has deteriorated after it was pledged.

- is not rated lower than A1, P1, or F1 at the time it is pledged to the Federal Reserve Bank of Boston (this would exclude paper that is rated A1/P1/F1 but is on watch for downgrade by any major rating agency);
- was issued by an entity organized under the laws of the United States or a political subdivision thereof under a program that was in existence on September 18, 2008; and
- has a stated maturity that does not exceed 120 days if the borrower is a bank, or 270 days if the borrower is a non-bank.

The qualifying ABCP must be transferred to the Federal Reserve Bank of Boston's restricted account at the Depository Trust Company before an advance, collateralized by that ABCP, will be approved. The collateral is valued at the amortized cost (as defined in the Letter of Agreement) of the eligible ABCP pledged to secure an advance. Advances made under the facility are made without recourse, provided the requirements in the Letter of Agreement are met. A breakdown of AMLF collateral by credit rating is shown in Table 19.

Term Asset-Backed Securities Loan Facility (TALF)

Recent Developments

- TALF subscriptions in June supported primary issuance of 13 ABS deals worth a total of about $16.4 billion, of which approximately $11 billion was financed through the TALF. No loan requests were submitted at the first CMBS TALF operation on June 16.
- At the July 7 TALF operation, there were approximately $5 billion in loan requests, supporting issuance of nine ABS deals worth a total of about $12 billion.

Table 20. TALF Number of Borrowers and Loans Outstanding
As of June 24, 2009

Lending program	Number of borrowers	Borrowing ($ billions)
Term Asset-Backed Securities Loan Facility (TALF)	82	25

Background

On November 25, 2008, the Federal Reserve announced the creation of the TALF under section 13(3) of the Federal Reserve Act. The TALF is a funding facility under which the FRBNY extends credit with a term of up to five years to holders of eligible ABS. The TALF is intended to assist financial markets in accommodating the credit needs of consumers and businesses of all sizes by facilitating the issuance of ABS collateralized by a variety of consumer and business loans; it is also intended to improve the market conditions for ABS more generally. The Federal Reserve Board has authorized extension of credit through the TALF until December 31, 2009.

Eligible collateral initially included U.S. dollar-denominated ABS that (1) are backed by student loans, auto loans, credit card loans, and loans guaranteed by the Small Business Administration (SBA) and (2) have a credit rating in the highest investment-grade rating category from two or more approved rating agencies and do not have a credit rating below the highest investment-grade rating category from a major rating agency. The loans provided through the TALF are non-recourse loans, the Federal Reserve has rights only to the collateral securing the loan in the event that the borrower elects not to repay. Borrowers commit their own risk capital in the form of haircuts against the collateral, which serve as the borrower's equity in the transaction and act as a buffer to absorb any decline in the collateral's value in the event the loan is not repaid. The U.S. Treasury is providing protection against losses of up to $20 billion to the FRBNY using funds authorized under the Troubled Assets Relief Program (TARP). The loan from the FRBNY is senior to the TARP funds. Thus, the TARP funds serve as a "first loss" position in the disposition special-purpose vehicle in the event the borrower's haircut does not fully absorb the decline in the collateral's value.

On February 10, 2009, the Federal Reserve Board announced that it would consider expanding the size of the TALF to as much as $1 trillion and potentially broaden the eligible collateral to encompass other types of newly issued AAA-rated asset-backed securities, such as ABS backed by commercial mortgages or private-label (non-agency) ABS backed by residential mortgages. Any expansion of the TALF would be supported by the Treasury providing additional funds from the TARP.

On March 19, the Federal Reserve Board announced that starting in April, the set of eligible collateral for TALF loans was being expanded to include ABS backed by loans or leases related to business equipment, leases of vehicle fleets, floorplan loans, and mortgage servicing advances.

On March 23, the Federal Reserve and the Treasury announced that they were planning on expanding the list of eligible collateral for TALF loans to include previously issued securities—so-called "legacy securities"—as a complement to the Treasury's Public Private Investment Program. Eligible securities are expected to include certain non-agency residential mortgage-backed securities (RMBS) that were originally rated AAA when issued and outstanding commercial mortgage-backed securities and ABS that are rated AAA.

On May 1, the Federal Reserve announced that, starting in June 2009, newly issued CMBS and securities backed by insurance premium finance loans would be eligible collateral under the TALF. The Federal Reserve also authorized TALF loans with maturities of five years, available for the June funding, to finance purchases of CMBS, ABS backed by student loans, and ABS backed by loans guaranteed by the Small Business Administration. The Federal Reserve indicated that up to $100 billion of TALF loans could have five-year maturities and that some of the interest on collateral financed with a five-year loan may be diverted toward an accelerated repayment of the loan, especially in the fourth and fifth years.

On May 19, the Federal Reserve announced that, starting in July 2009, certain high-quality CMBS issued before January 1, 2009 (legacy CMBS) would become eligible collateral under the TALF. The Federal Reserve indicated that eligible newly issued and legacy CMBS must have at least two AAA ratings from a list of approved ratings agencies—DBRS, Fitch, Moody's Investors Service, Realpoint, or Standard & Poor's—and must not have a rating below AAA from any of these rating agencies. More broadly, the Federal Reserve announced that it was formalizing procedures for determining the set of rating agencies whose ratings would be accepted for various types of eligible collateral in the Federal Reserve's credit programs.

Collateral and Risk Management

Under the TALF, the FRBNY lends on a non-recourse basis to holders of certain asset-backed securities (ABS) backed by consumer, business, and commercial

Table 21. TALF Collateral by Underlying Credit Exposure

As of June 24, 2009

Type of collateral	Value ($ billions)
Asset-backed securities by underlying loan type	
Auto	7
Commercial mortgages	0
Credit card	16
Equipment	1
Premium finance	*
Floorplan	0
Servicing advances	1
Small business	*
Student loan	3
Total	27

Note: Components may not sum to total because of rounding. Data represent the face value of collateral.

* Less than $500 million.

Table 22. TALF Collateral by Rating

As of June 24, 2009

Type of collateral	Value ($ billions)
Asset-backed securities with rating	
AAA/Aaa	27
Total	27

Note: Components may not sum to total because of rounding.

mortgage loans. Eligible collateral for the TALF includes U.S. dollar-denominated ABS that (1) have a long-term credit rating in the highest investment-grade rating category (for example, AAA) from two or more rating agencies and (2) do not have a long-term credit rating below the highest investment-grade rating category from a single rating agency. Eligible small-business-loan ABS also include U.S. dollar-denominated cash ABS for which all of the underlying credit exposures are fully guaranteed as to principal and interest by the full faith and credit of the U.S. government. All or substantially all of the credit exposures underlying eligible ABS must be exposures to U.S.-domiciled obligors or with respect to real property located in the United States or its territories. The underlying credit exposures of eligible ABS must be student loans, auto loans, credit card loans, loans or leases relating to business equipment, leases of vehicle fleets, floor plan loans, mortgage servicing advances, insurance premium finance loans, commercial mortgages, and loans guaranteed by the SBA. Except for ABS for which the underlying credit exposures are SBA-guaranteed loans, eligible newly issued ABS must be issued on or after January 1, 2009. Eligible legacy

Table 23. Issuers of Securities that Collateralize Outstanding TALF Loans

As of June 24, 2009

Issuer
AH Mortgage Advance Trust 2009-ADV1
American Express Credit Account Master Trust
BMW Vehicle Lease Trust 2009-1
Cabela's Credit Card Master Note Trust
CarMax Auto Owner Trust 2009-1
Chase Issuance Trust
Chesapeake Funding LLC
CIT Equipment Collateral 2009-VT1
Citibank Credit Card Issuance Trust
Citibank Omni Master Trust
CNH Equipment Trust 2009-B
First National Master Note Trust
Ford Credit Auto Lease Trust 2009-A
Ford Credit Auto Owner Trust 2009-A
Ford Credit Auto Owner Trust 2009-B
GE Capital Credit Card Master Note Trust
Harley Davidson Motorcycle Trust 2009-1
Honda Auto Receivables 2009-2 Owner Trust
Huntington Auto Trust 2009-1
John Deere Owner Trust 2009
MMCA Auto Owner Trust 2009-A
Nissan Auto Lease Trust 2009-A
Nissan Auto Receivables 2009-A Owner Trust
PFS Financing Corp
SLM Private Education Loan Trust 2009-B
Small Business Administration Participation Certificates
Volkswagen Auto Lease Trust 2009-A
World Financial Network Credit Card Master Note Trust
World Omni Auto Receivables Trust 2009-A

CMBS must be issued before January 1, 2009, must be senior in payment priority to all other interests in the underlying pool of commercial mortgages, and must meet certain other criteria designed to protect the Federal Reserve and the Treasury from credit risk. In almost all cases, eligible collateral for a particular borrower must not be backed by loans originated or securitized by the borrower or by an affiliate of the borrower. The FRBNY's loan will be secured by the ABS collateral, with the FRBNY lending an amount equal to the market value of the ABS less a haircut. The Federal Reserve has set initial haircuts for each type of eligible collateral to reflect an assessment of the riskiness and maturity of the various types of eligible ABS. In addition, the U.S. Treasury Department—under the Troubled Assets Relief Program (TARP) of the Emergency Economic Stabilization Act of 2008—will provide $20 billion of credit protection to the FRBNY in connection with the TALF. Breakdowns of TALF collateral by underlying credit exposure and credit rating are shown in Tables 21 and 22, respectively.

Lending in Support of Specific Institutions

Recent Developments

- Financial information on the Maiden Lane facilities has not been updated since the last monthly report. Quarterly revaluations as of June 30, 2009, will be available in the coming weeks, and will be presented in the next monthly report along with other asset and liability updates.
- Quarterly revaluations as of March 31, 2009, resulted in a reduction to the fair value asset coverage of FRBNY loans to Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC, as presented in Table 24.
- Loan repayments to the AIG credit facility outpaced drawdowns in the four weeks since the last monthly report.
- On June 25, 2009, AIG and FRBNY entered into agreements to carry out transactions involving American International Assurance Company Ltd. (AIA) and American Life Insurance Company (ALICO) that were authorized as part of the March 2, 2009, restructuring of the government's assistance to AIG. These transactions, when consummated, will reduce the debt that AIG owes the FRBNY and position both AIA and ALICO for future initial public offerings, depending on market conditions.

Background

In the current financial crisis, the Federal Reserve has extended credit to certain specific institutions in order to avert disorderly failures that could result in severe dislocations and strains for the financial system as a whole and harm the U.S. economy. In certain other cases, the Federal Reserve has committed to extend credit, if necessary, to support important financial firms.

Table 24. Fair Value Asset Coverage

($ millions)

	Fair value asset coverage of FRBNY loan on 3/31/2009 r	Fair value asset coverage of FRBNY loan 12/31/2008
Maiden Lane LLC	(3,771)	(3,403)
Maiden Lane II LLC	(1,965)	(329)
Maiden Lane III LLC	(3,435)	2,824

Note: Unaudited. Fair value asset coverage is the amount by which the fair value of the net portfolio assets of each LLC (see Table 37) is greater or less than the outstanding balance of the loans extended by the FRBNY, including accrued interest.

r Revised for technical adjustments.

Bear Stearns and Maiden Lane LLC

In March 2008, the FRBNY and JPMorgan Chase & Co. (JPMC) entered into an arrangement related to financing provided by the FRBNY to facilitate the merger of JPMC and the Bear Stearns Companies Inc. In connection with the transaction, the Federal Reserve Board authorized the FRBNY, under section 13(3) of the Federal Reserve Act, to extend credit to a Delaware limited liability company, Maiden Lane LLC, to fund the purchase of a portfolio of mortgage-related securities, residential and commercial mortgage loans, and associated hedges from Bear Stearns. In the second quarter of 2008, the FRBNY extended credit to Maiden Lane LLC. Details of the terms of the loan are published on the FRBNY website (www.newyorkfed.org/

Table 25. Maiden Lane LLC Outstanding Principal Balance of Loans

($ millions)

	Senior loan	Subordinate loan
Principal balance at closing	28,820	1,150
Accrued and capitalized interest to 12/31/2008	267	38
Principal repayment from closing to 12/31/2008	–	–
Principal balance on 12/31/2008	29,087	1,188
Accrued and capitalized interest to 3/31/2009	36	14
Repayment during the period	–	–
Principal balance on 3/31/2009	29,123	1,202

Note: Unaudited.

Table 26. Maiden Lane LLC Summary of Portfolio Composition, Cash/Cash Equivalents, and Other Assets and Liabilities

($ millions)

	Fair value on 3/31/2009	Fair value on 12/31/2008
Agency CMOs	14,369	13,565
Non-agency CMOs	1,552	1,836
Commercial loans	4,697	5,553
Residential loans	780	937
Swap contracts	2,280	2,454
TBA commitments[1]	1,448	2,089
Other investments	1,221	1,360
Cash & cash equivalents[2]	2,640	2,531
Adjustment for other assets[3]	1,869	310
Adjustment for other liabilities[4]	(5,505)	(4,951)
Net assets	25,352	25,684

Note: Unaudited.

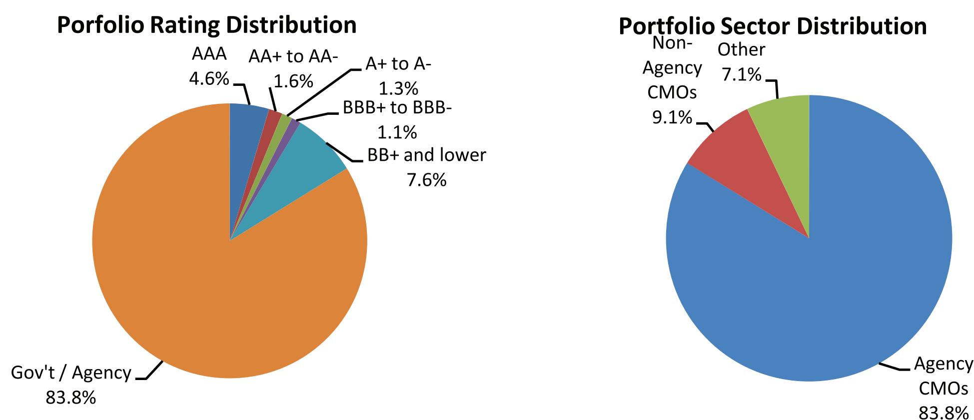
1. TBA commitments are commitments to purchase or sell mortgage-backed securities for a fixed price at a future date.
2. Including cash and cash equivalents on deposit in the Reserve Account.
3. Including interest and principal receivable and other receivables.
4. Including amounts payable for TBAs, collateral posted to Maiden Lane LLC by swap counterparties, and other liabilities/accrued expenses.

Table 27. Maiden Lane LLC Asset Distribution by Type and Rating

Security type:[1]	Rating						
	AAA	AA+ to AA−	A+ to A−	BBB+ to BBB−	BB+ and lower	Gov't/ Agency	Total[3]
Agency CMOs	0.0	0.0	0.0	0.0	0.0	83.8	83.8
Non-agency CMOs	2.2	0.2	0.8	0.4	5.4	0.0	9.1
Other[2]	2.4	1.4	0.5	0.7	2.2	0.0	7.1
Total[3]	4.6	1.6	1.3	1.1	7.6	83.8	100.0

Note: Lowest of all ratings is used for purposes of this table; data are in percent.
1. This table does not include Maiden Lane LLC's swaps and other derivative contracts, commercial and residential mortgage loans, and to be announced (TBA) investments.
2. Includes all asset sectors that, individually, represent less than 5 percent of aggregate portfolio fair value.
3. Rows and columns may not total because of rounding.

Figure 2. Maiden Lane LLC Portfolio Distribution



markets/maidenlane.html). The assets of Maiden Lane LLC are presented in tables 1, 9, and 10 of the H.4.1 statistical release. Additional details on the accounts of Maiden Lane LLC are presented in table 4 of the H.4.1 statistical release.

Information about the assets and liabilities of Maiden Lane LLC is presented in Tables 25 and 26. These tables are as of March 31, 2009, and are updated on a quarterly basis.

At March 31, 2009, the ratings breakdown of the $17.1 billion fair value of securities in the Maiden Lane LLC portfolio (as a percentage of aggregate fair value of all securities in the portfolio) was as presented in Table 27.

American International Group (AIG)

Recent Developments

- On June 10, 2009, AIG announced that it had closed a secondary public offering of 29.9 million shares of Transatlantic Holdings, Inc. (TRH) common stock owned by AIG and its indirect subsidiary, American Home Assurance Company (AHAC). Aggregate proceeds were $1.136 billion. AHAC now owns 9,192,662 common shares, representing approximately 13.9 percent of TRH's common shares issued and outstanding.
- On June 25, 2009, the FRBNY entered into agreements with AIG to carry out two transactions previously approved and announced on March 2, 2009, as part of the restructuring of the U.S. government's assistance to AIG. Under these agreements, the FRBNY will receive preferred equity interests in two special purpose vehicles (SPVs) to be formed to hold the outstanding common stock of American International Assurance Company Ltd. (AIA) and American Life Insurance Company (ALICO), two life insurance subsidiaries of AIG. In exchange, upon the closing of each transaction and the resulting issuance of preferred equity, the FRBNY will reduce the outstanding balance and amount available to AIG under the $60 billion Revolving Credit Facility by an aggregate amount of $25 billion, reflecting the value of the preferred interests to be received by the FRBNY in the AIA SPV ($16 billion) and the ALICO SPV ($9 billion). The closing of each transaction is expected to occur by the end of 2009, pending the completion of the necessary regulatory approval processes. The common equity of the SPVs

Table 28. AIG Revolving Credit Facility

Borrower	Borrowing ($ billions)
Balance on May 27, 2009	44
Drawdowns	1
Repayments	2
Balance on June 24, 2009	43

Note: Unaudited.

will be held by AIG, which will continue to control the day-to-day management of the companies. The FRBNY has the ability to appoint two observers to SPV board meetings, and the FRBNY's consent is required for the SPVs, AIA, or ALICO to undertake a variety of significant actions. These transactions, when consummated, will reduce the debt that AIG owes the FRBNY and position both AIA and ALICO for future initial public offerings, depending on market conditions. Subject to certain conditions, proceeds from any public offerings of the companies must first be used to redeem the FRBNY's preferred interests, until the preferred interests have been redeemed in full.

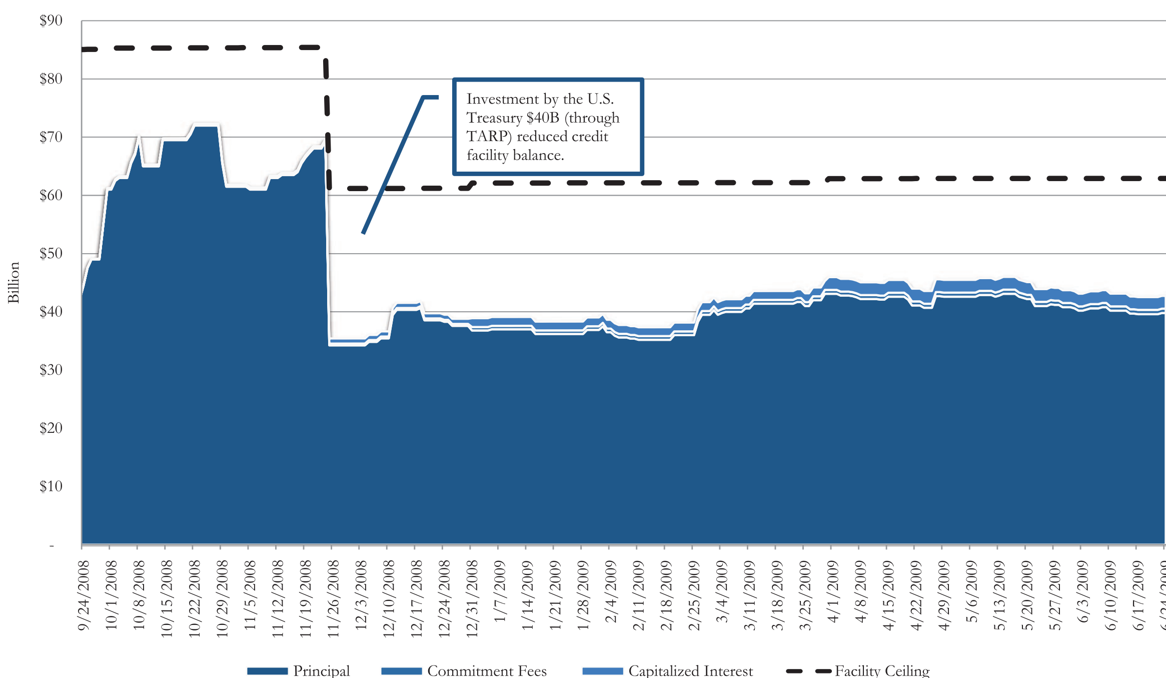
- On June 30, 2009, shareholders of AIG elected six new directors at the company's annual meeting: Harvey Golub, Laurette T. Koellner, Christopher S. Lynch, Arthur C. Martinez, Robert S. Miller, and Douglas M. Steenland.
- As shown in Table 28, loan repayments by AIG outpaced drawdowns in the current reporting period. Under the terms of the contract, interest increases the principal outstanding at a quarterly frequency, so no interest was added to the facility balance in the period.

Background

On September 16, 2008, the Federal Reserve announced that it would lend to AIG to provide the company with the time and flexibility to execute a value-maximizing strategic plan. Initially, the FRBNY extended an $85 billion line of credit to the company. The terms of the credit facility were disclosed on the Board's website (www.federalreserve.gov/monetarypolicy/bst_supportspecific.htm). Loans outstanding under this facility are presented in table 1 of the H.4.1 statistical release and included in "Other loans" in table 9 of the H.4.1 release.

On November 10, 2008, the Federal Reserve and the Treasury announced a restructuring of the government's financial support to AIG. As part of this restructuring, two new limited liability companies (LLCs) were created, Maiden Lane II LLC and Maiden Lane III LLC. More detail on these two LLCs is reported in the remainder of this section. Additional

Figure 3. AIG Revolving Credit



Note: The above data illustrate the amounts shown on the H.4.1 as *Credit extended to the American International Group, Inc.,* which includes amounts owed to the Federal Reserve Bank of New York under the loan facility, including loan principal, all capitalized interest and fees, and the amortized portion of the initial commitment fee. The data exclude commercial paper sold by AIG and its subsidiaries to the Commercial Paper Funding Facility as well as amounts borrowed prior to November 21 under a securities borrowing arrangement.

information is included in tables 5 and 6 of the H.4.1 statistical release. (On October 8, 2008, the FRBNY was authorized to extend credit to certain AIG subsidiaries against a range of securities. This arrangement was discontinued after the establishment of the Maiden Lane II facility.)

On March 2, 2009, the Federal Reserve and the Treasury announced an additional restructuring of the government's assistance to AIG, designed to enhance the company's capital and liquidity in order to facilitate the orderly completion of the company's global divestiture program. Additional information on the restructuring is available at www.federalreserve.gov/newsevents/press/other/20090302a.htm.

The interest rate on the loan to AIG is the three-month LIBOR rate plus 300 basis points. The lending under this facility is secured by a pledge of assets of AIG and its primary nonregulated subsidiaries, including all or a substantial portion of AIG's ownership interest in its regulated U.S. and foreign subsidiaries. Furthermore, AIG's obligations to the FRBNY are guaranteed by certain domestic, nonregulated subsidiaries of AIG with more than $50 million in assets.

Figure 3 displays credit extended to AIG over time through the credit facility, including the principal, interest, and commitment fees along with the facility ceiling.

Maiden Lane II LLC

Under section 13(3) of the Federal Reserve Act, the Federal Reserve Board authorized the FRBNY to lend up to $22.5 billion to a newly formed Delaware limited liability company, Maiden Lane II LLC, to fund the purchase of residential mortgage-backed securities (RMBS) from the securities lending portfolio of several regulated U.S. insurance subsidiaries of AIG. On December 12, 2008, the FRBNY loaned about $19.5 billion to Maiden Lane II LLC. Details of the terms of the loan are published on the FRBNY website (www.newyorkfed.org/markets/maidenlane2.html).

The assets of Maiden Lane II LLC are presented in tables 1, 9, and 10 of the H.4.1 statistical release. Additional detail on the accounts of Maiden Lane II LLC is presented in table 5 of the H.4.1 release.

Table 29. Maiden Lane II LLC Outstanding Principal Balance of Senior Loan and Fixed Deferred Purchase Price

($ millions)

	Senior loan	Fixed deferred purchase price
Principal balance at closing	19,494	1,000
Accrued and capitalized interest to 12/31/2008	27	3
Principal repayment from closing to 12/31/2008	0	0
Principal balance on 12/31/2008	19,522	1,003
Accrued and capitalized interest to 3/31/2009	68	9
Repayment during the period	(952)	0
Principal balance on 3/31/2009	18,638	1,012

Note: Unaudited. As part of the asset purchase agreement, AIG subsidiaries were entitled to receive from Maiden Lane II a fixed deferred purchase price plus interest on the amount. This obligation is subordinated to the senior loan extended by the FRBNY, and reduced the amount paid by Maiden Lane II for the assets by a corresponding amount.

Table 30. Maiden Lane II LLC Summary of Portfolio Composition and Cash/Cash Equivalents

($ millions)

Type of asset	Fair value on 3/31/2009	Fair value on 12/31/2008
Alt-A (ARM)	4,401	5,226
Subprime	9,744	10,796
Other[1]	2,226	2,817
Cash & cash equivalents[2]	297	351
Total	16,668	19,190

Note: Unaudited.

1. Includes all asset sectors that, individually, represent less than 5 percent of aggregate outstanding fair value of the portfolio.

2. Including cash and cash equivalents on deposit in the Expense Reimbursement Sub-Account.

Figure 4. Maiden Lane II LLC Portfolio Distribution

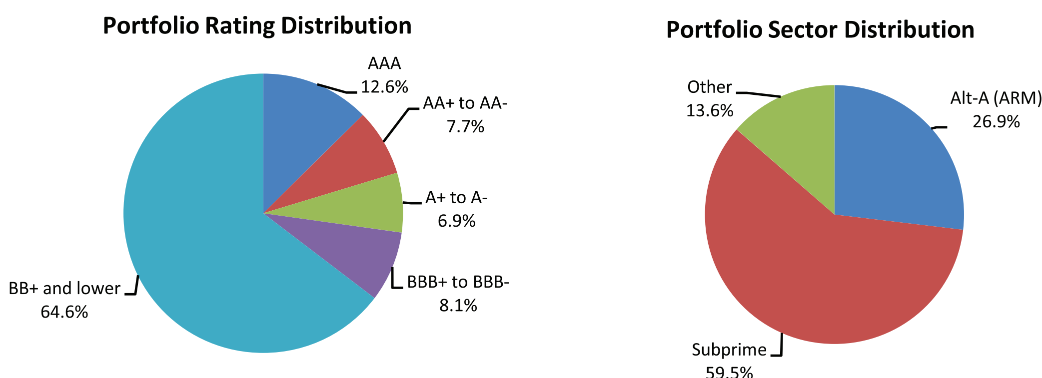


Table 31. Maiden Lane II LLC Asset Distribution by Sector and Rating
(3/31/2009)

RMBS sector:	Rating					
	AAA	AA+ to AA−	A+ to A−	BBB+ to BBB−	BB+ and lower	Total[2]
Alt-A (ARM)	2.0	2.5	1.6	2.0	18.8	26.9
Subprime	10.4	4.2	4.7	5.2	35.0	59.5
Other[1]	0.2	1.0	0.6	0.9	10.8	13.6
Total[2]	12.6	7.7	6.9	8.1	64.6	100.0

Note: Lowest of all ratings is used for the purposes of this table; data are in percent.
1. Includes all asset sectors that, individually, represent less than 5 percent of aggregate outstanding fair value of the portfolio.
2. Rows and columns may not total because of rounding.

Information about the assets and liabilities of Maiden Lane II LLC are outlined in Tables 29 to 31. These tables are as of March 31, 2009, and are updated on a quarterly basis.

As of March 31, 2009, the sector/rating composition of Maiden Lane II LLC's $16.4 billion RMBS portfolio, as a percentage of aggregate fair value, was as noted in Table 31 and Figure 4.

Maiden Lane III LLC

Under section 13(3) of the Federal Reserve Act, the Federal Reserve Board authorized the FRBNY to lend up to $30 billion to a newly formed Delaware limited liability company, Maiden Lane III LLC, to fund the purchase of certain asset backed collateralized debt obligations (ABS CDOs) from certain counterparties of AIG Financial Products Corp. on which AIG Financial Products had written credit default swap and similar contracts. On November 25, 2008, the FRBNY loaned about $24.4 billion to Maiden Lane III LLC. Details of

Table 32. Maiden Lane III LLC Outstanding Principal Balance of Senior Loan and Equity Contribution
($ millions)

	Senior loan	Equity contribution
Principal balance at closing	24,339	5,000
Accrued and capitalized interest to 12/31/2008	45	22
Principal repayment from closing to 12/31/2008	–	–
Principal balance on 12/31/2008	24,384	5,022
Accrued and capitalized interest to 3/31/2009	87	43
Repayment during the period	(304)	–
Principal balance on 3/31/2009	24,168	5,065

Note: Unaudited. As part of the asset purchase agreement, AIG purchased a $5 billion equity contribution, which is subordinated to the senior loan extended by FRBNY.

Table 33. Maiden Lane III LLC Summary of Portfolio Composition and Cash/Cash Equivalents
($ millions)

Asset type	Fair value on 3/31/2009	Fair value on 12/31/2008
High-grade ABS Collateralized Debt Obligations (CDO)	13,565	18,770
Mezzanine ABS CDO	1,832	3,104
Commercial real estate CDO	3,761	4,791
Cash & cash equivalents[1]	1,508	408
Total	20,665	27,073

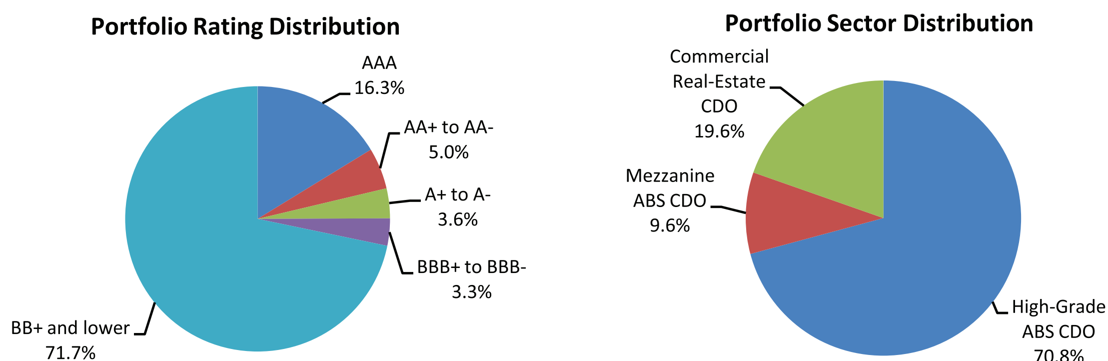
Note: Unaudited.
1. Including cash and cash equivalents on deposit in the Expense Reimbursement Sub-Account and Investment Reserve Sub-Account.

Table 34. Maiden Lane III LLC Asset Distribution by CDO Type/Vintage and Rating

CDO type/vintage:	Rating					
	AAA	AA+ to AA−	A+ to A−	BBB+ to BBB−	BB+ and lower	Total[1]
High-grade ABS CDO	0.1	4.5	0.0	0.6	65.6	70.8
2003-2004	0.1	2.3	0.0	0.6	25.8	28.7
2005	0.0	2.2	0.0	0.0	25.3	27.6
2006	0.0	0.0	0.0	0.0	14.5	14.5
Mezzanine ABS CDO	0.0	0.0	0.6	2.8	6.1	9.6
2003-2004	0.0	0.0	0.2	0.9	2.3	3.4
2005	0.0	0.0	0.4	1.8	3.8	6.1
2006	0.0	0.0	0.0	0.0	0.0	0.0
Commercial real-estate CDO	16.1	0.5	3.0	0.0	0.0	19.6
2002-2005	3.2	0.5	0.0	0.0	0.0	3.7
2006	0.0	0.0	3.0	0.0	0.0	3.0
2007	13.0	0.0	0.0	0.0	0.0	13.0
Total[1]	16.3	5.0	3.6	3.3	71.7	100.0

Note: Lowest of all ratings is used for purposes of this table; data are in percent.
1. Rows and columns may not total due to rounding.

Figure 5. Maiden Lane III LLC Portfolio Distribution



the terms of the loan are published on the FRBNY website (www.newyorkfed.org/markets/maidenlane3.html).

The assets of the Maiden Lane III LLC are presented in tables 1, 9, and 10 of the H.4.1 statistical release. Additional detail on the accounts of Maiden Lane III LLC is presented in table 6 of the H.4.1 release.

Information about the assets and liabilities of Maiden Lane III LLC is outlined in Tables 32 to 34. These tables are as of March 31, 2009, and are updated on a quarterly basis.

As of March 31, 2009, the ABS CDO type/vintage/rating composition of Maiden Lane III LLC's $19.2 billion portfolio, as a percentage of aggregate fair value of all securities in the portfolio, was as noted in Table 34 and Figure 5.

Citigroup

On November 23, 2008, the Treasury, the Federal Reserve, and the Federal Deposit Insurance Corporation (FDIC) jointly announced that the U.S. government would provide support to Citigroup in an effort to support financial markets. The terms of the arrangement are provided on the Federal Reserve Board's website (www.federalreserve.gov/monetarypolicy/bst_supportspecific.htm). Because the FRBNY has not extended credit to Citigroup under this arrangement, the commitment is not reflected in the H.4.1 statistical release.

Bank of America

On January 16, 2009, the Treasury, the Federal Reserve, and the FDIC jointly announced that the U.S. government would provide support to Bank of America to support financial market stability. The terms of the support are provided on the Federal Reserve Board's website (www.federalreserve.gov/monetarypolicy/bst_supportspecific.htm). On May 7, 2009, following the release of the results of the Supervisory Capital Assessment Program, Bank of America announced that it did not plan to move forward with a part of this planned support—specifically, a residual financing arrangement authorized for the company and the related guarantee protections that would be provided by the Treasury and the FDIC with respect to an identified pool of approximately $118 billion in assets. Because the Federal Reserve has not extended credit to Bank of America under this arrangement, the commitment is not reflected in the H.4.1 statistical release.

Federal Reserve System Financial Tables

Recent Developments

- As noted in Table 35, total Federal Reserve System Open Market Account (SOMA) holdings exceeded $1 trillion as of March 31. Total earnings from the portfolio amounted to about $4.6 billion over the first quarter, with the bulk of the earnings attributable to holdings of U.S. Treasury, agency, and agency-guaranteed MBS securities.
- As noted in Table 36, interest income from Federal Reserve loan programs over the first quarter amounted to about $1.3 billion; interest earned on TAF loans and on loans to AIG accounted for most of the total.
- As noted in Table 37, net income for the FRBNY associated with the CPFF amounted to about $2 billion over the first quarter. Net income for Maiden Lane, Maiden Lane II, and Maiden Lane III was negative over the first quarter, mostly reflecting unrealized losses on the assets held by these entities.

Background

The Federal Reserve Banks annually prepare financial statements reflecting balances (as of December 31) and income and expenses for the year then ended. The Federal Reserve Bank financial statements also include the accounts and results of operations of several limited liability companies (LLCs) that have been consolidated with the FRBNY (the "consolidated LLCs").

The Board of Governors, the Federal Reserve Banks, and the consolidated LLCs are all subject to several levels of audit and review. The Reserve Banks' financial statements and those of the consolidated LLC entities are audited annually by a registered independent public accountant retained by the Board of Governors. To ensure auditor independence, the Board requires that the external auditor be independent in all matters relating to the audit. Specifically, the external auditor may not perform services for the Reserve Banks or others that would place it in a position of auditing its own work, making management decisions on behalf of the Reserve Banks, or in any other way impairing its audit independence. In addition, the Reserve Banks, including the consolidated LLCs, are subject to oversight by the Board.

The Board of Governors' financial statements are audited annually by an independent audit firm retained by the Board's Office of Inspector General. The audit firm also provides a report on compliance and on internal control over financial reporting in accordance with government auditing standards. The Office of Inspector General also conducts audits, reviews, and investigations relating to the Board's programs and operations as well as of Board functions delegated to the Reserve Banks.

Audited annual financial statements for the Reserve Banks and Board of Governors are available at www.federalreserve.gov/monetarypolicy/bst_fedfinancials.htm. On a quarterly basis, the Federal Reserve prepares unaudited updates of tables presented in the annual financial statements. Tables 35 through 37 present information for the SOMA portfolio, the Federal Reserve loan programs, and the so-called "variable interest entities"—the CPFF and Maiden Lane I, II, and III—for the first quarter of this year. These data are not audited and will be provided on a quarterly basis between the release dates for the audited annual financial statements.

SOMA Financial Summary

Table 35 shows the Federal Reserve's net assets and liabilities in the SOMA portfolio as of March 31, 2009, the related interest income and expense, and the unrealized and realized gains for the quarter. U.S. government, federal agency, and government-sponsored enterprise securities, as well as agency-guaranteed MBS comprising the SOMA portfolio are recorded at amortized cost, on a settlement-date basis. Rather than using a fair value presentation, amortized cost more appropriately reflects the Reserve Bank's securities holdings given the Federal Reserve's unique responsibility to conduct monetary policy.

Although the fair value of security holdings can be substantially greater than or less than the recorded value at any point in time, these unrealized gains or losses have no effect on the ability of the Reserve Banks to meet their financial obligations and responsibilities. As of March 31, 2009, the fair value of the U.S. government, federal agency, and GSE securities held in the SOMA, excluding accrued interest, was $606,489 million, fair value of mortgage-backed securities was $243,832 million, and fair value of investments denominated in foreign currencies was $23,556 million, as determined by reference to quoted prices for identical securities. The fair value is noted here solely for informational purposes.

Table 35. SOMA Financial Summary
As of March 31, 2009[r]

SOMA holdings ($ millions)	Balance	Interest income/ (expense)	Realized gains (losses)	Unrealized gains (losses)	Total earnings
SOMA assets					
U.S. government, federal agency, and government-sponsored enterprise securities, net	553,107	3,918	0		3,918
Securities purchased under agreements to resell	0	12			12
Agency-guaranteed mortgage-backed securities	240,801	878	(2)		876
Investments denominated in foreign currencies[1]	23,328	87		(1,562)	(1,475)
Central bank liquidity swaps	310,204	1,271			1,271
SOMA liabilities					
Securities sold under agreements to resell	(70,590)	(35)			(35)
Total SOMA holdings	1,056,850	6,131	(2)	(1,562)	4,567

Note: Unaudited.
r Revised for technical adjustments.
1. Unrealized gains and losses result from the daily revaluation of the currency.

Purchases and sales of U.S. government securities are conducted by the FRBNY under authorization and direction from the Federal Open Market Committee. The securities are bought from or sold to securities dealers and foreign and international accounts maintained at the FRBNY at market prices. The Federal Reserve is also authorized by the FOMC to acquire U.S. government securities under agreements with the dealer to repurchase the securities (securities purchased under agreements to resell) and securities sold under agreements to repurchase.

The SOMA holds foreign currency deposits and foreign government debt instruments denominated in foreign currencies with foreign central banks and the Bank for International Settlements. Central bank liquidity swaps are the foreign currencies that the Federal Reserve acquires and records as an asset (excluding accrued interest) on the Federal Reserve's balance sheet. On January 5, 2009, the Federal Reserve began purchasing mortgage-backed securities guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Outright transactions in mortgage-backed securities are recorded on settlement dates, which can extend several months into the future.

Loan Programs

Table 36 summarizes the loan balances and interest income of the Federal Reserve for the first quarter of 2009. The most significant loan balance is the TAF, which was established at the end of 2007. As noted earlier in this report, during 2008 the Federal Reserve established several lending facilities under authority of section 13(3) of the Federal Reserve Act. These included the AMLF, the PDCF, and credit extended to AIG. Amounts funded by the Reserve Banks under these programs are recorded as loans by the Reserve Banks. The Federal Reserve earned $1.3 billion of interest income from these loan programs during the first quarter of 2009. All loans must be fully collateralized to the satisfaction of the lending Reserve Bank, with an appropriate haircut applied to the collateral. At March 31, 2009, no loans were impaired, and an allowance for loan losses was not required.

Consolidated Variable Interest Entities (VIEs)

Table 37 summarizes the assets and liabilities of various consolidated VIE entities previously discussed in this financial report. It also summarizes the net position of senior and subordinated interest holders and

Table 36. Interest Income—Loan programs
As of March 31, 2009[r]

Loan programs ($ millions)	Balance	Interest income/ (expense)	Net earnings
Primary, secondary and seasonal credit	69,080	82	82
Term Auction Facility (TAF)	467,278	327	327
Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF)	6,745	50	50
Primary Dealer Credit Facility (PDCF) and other broker-dealer credit	18,116	33	33
Credit extended to AIG	45,966	795	795
Term Asset-Backed Securities Loan Facility (TALF)	4,692	2	2
Total loan programs	611,877	1,289	1,289
Allowance for loan losses	0	0	0
Total loan programs, net	611,877	1,289	1,289

Note: Unaudited.
r Revised for technical adjustments and to include TALF.

Table 37. Assets and Liabilities of Consolidated Variable Interest Entities

As of March 31, 2009[r]

Consolidated LLCs ($ millions)	CPFF	ML	ML II	ML III	Total Maiden Lane VIEs
Fair value of portfolio and assets of the consolidated LLCs					
Assets and liabilities of the consolidated LLCs and the net position of senior and subordinated interest holder					
Net portfolio assets	249,050	30,702	16,675	20,738	68,115
Other Liabilities of consolidated LLCs	(500)	(5,350)	(2)	(5)	(5,357)
Net portfolio assets available	248,550	25,352	16,673	20,733	62,758
Loans extended to the consolidated LLCs by FRBNY	245,767	29,123	18,638	24,168	71,929
Other beneficial interests[1]	0	1,202	1,012	5,065	7,279
Total loans	245,767	30,325	19,650	29,233	79,208
Cumulative change in net assets since the inception of the programs					
Allocation of the change in net assets to interest holders					
Allocated to FRBNY	2,783	(3,771)	(1,965)	(3,435)	(9,171)
Allocated to other beneficial interests	0	(1,202)	(1,012)	(5,065)	(7,279)
Cumulative change in net assets	2,783	(4,973)	(2,977)	(8,500)	(16,450)
Current period income of the consolidated LLCs					
Summary of consolidated VIE net income for the current year, through March 31, 2009,including a reconciliation of total consolidated VIE net income to the consolidated VIE net income recorded by FRBNY					
Portfolio interest income	2,151	462	270	732	1,464
Interest expense on loans extended by FRBNY[2]	(438)	(36)	(68)	(87)	(191)
Interest expense-other	0	(14)	(9)	(43)	(66)
Portfolio holdings gains (losses)	6	(782)	(1,835)	(6,898)	(9,515)
Professional fees	(14)	(12)	(3)	(6)	(21)
Net income (loss) of consolidated LLCs	1,705	(382)	(1,645)	(6,302)	(8,329)
Less: Net income (loss) allocated to other beneficial interests	0	(14)	(9)	(2,867)	(2,890)
Net income (loss) allocated to FRBNY	1,705	(368)	(1,636)	(3,435)	(5,439)
Add: Interest expense on loans extended by FRBNY, eliminated in consolidation[2]	438	36	68	87	191
Net income (loss) recorded by FRBNY	2,143	(332)	(1,568)	(3,348)	(5,248)

Note: Unaudited.

r Revised for technical adjustments.

1. Other beneficial interest holder related to Maiden Lane LLC is JPMC, and for Maiden Lane II LLC and Maiden Lane III LLC is AIG.

2. Interest expense recorded by each VIE on the loans extended by the FRBNY is eliminated when the VIEs are consolidated in the FRBNY's financial statements and, as a result, the consolidated VIEs' net income (loss) recorded by the FRBNY is increased by this amount.

the allocation of the change in net assets to interest holders. The FRBNY is the sole beneficiary of the CPFF LLC and the primary beneficiary of the Maiden Lane LLCs. CPFF holdings are recorded at book value, which includes amortized cost and related fees. Maiden Lane, Maiden Lane II, and Maiden Lane III holdings are recorded at fair value, which reflects an estimate of the price that would be received upon selling an asset if the transaction were to be conducted in an orderly market on the measurement date. Consistent with generally accepted accounting principles, the assets and liabilities of these LLCs have been consolidated with the assets and liabilities of the FRBNY. As a consequence of the consolidation, the extensions of credit from the FRBNY to the LLCs are eliminated, the net assets of the LLCs appear as assets on the Federal Reserve's balance sheet, and the liabilities of the LLCs to entities other than the FRBNY, including those with recourse only to the portfolio holdings of the LLCs, are included in other liabilities.

The net portfolio assets available represent the net assets available to beneficiaries of the consolidated VIEs and for repayment of loans extended by the FRBNY. The net income (loss) allocated to the FRBNY represents the allocation of the change in net assets and liabilities of the consolidated VIEs available for repayment of the loans extended by the FRBNY and other beneficiaries of the consolidated VIEs. The differences between the fair value of the net assets available and the face value of the loans (including accrued interest) are indicative of gains or losses that would have been incurred by the beneficiaries if the assets had been fully liquidated at prices equal to the fair value as of March 31, 2009.