



Treasury Uses TARP Funds to Back Consumer Lending Facility

In an effort to increase the availability of affordable financing to small businesses and consumers, the Treasury Department announced on November 25, 2008 that it will provide \$20 billion of credit protection to the Federal Reserve in connection with its Term Asset- Backed Securities Loan Facility (TALF). ("[Treasury Provides TARP Funds to Federal Reserve Consumer ABS Lending Facility](#)")

Under TALF, the Federal Reserve Bank of New York will lend up to \$200 billion to holders of newly issued and highly rated consumer asset-backed securities (ABS). By providing liquidity to issuers of ABS, TALF will enable a number of institutions to increase lending in the form of small business loans, auto loans, student loans, and credit loans. ("[Secretary Paulson Remarks on Consumer ABS Lending Facility](#)")

While TALF currently only applies to nonmortgage asset-backed paper, the Federal Reserve announced in a [press release](#) that it will initiate a separate program to purchase direct obligations in Fannie Mae, Freddie Mac and the Federal Home Loan Banks as well as mortgage-backed securities backed by Fannie Mae, Freddie Mac and Ginnie Mae. While details of the program are not available yet, the action is directed at increasing support for the housing market.

For More Information

For more information on how this development may affect you, please contact any member of Reinhart's [Financial Markets Crisis](#) Team.

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