

THE PAYCHECK PROTECTION PROGRAM LIQUIDITY FACILITY (PPPLF) –

SUPPORTING AMERICAN WORKERS IN A TIME OF CRISIS

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Supervision, Regulation, and Credit



FEDERAL RESERVE BANK
OF MINNEAPOLIS



DISCLAIMER

The views expressed here are the presenter's and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.





TODAY'S AGENDA

- Federal Reserve Emergency Lending
- PPPLF Overview
- PPPLF Timeline & Impact
- A Banker's Perspective
Melodie Carlson, COO Sunrise Banks



FEDERAL RESERVE CREDIT FACILITIES

NORMAL LENDING:

Federal Reserve is the Bank for banks.

Discount Window

- Eligibility based on statutory criteria.
- Primary Credit, Secondary (overnight), or Seasonal Credit.
- Each Reserve Bank administers their discount window independently.

LENDER OF LAST RESORT

- **FEDERAL RESERVE ACT, S. 13(3)**

Allows lending “in unusual and exigent circumstances”:

- To “individuals, partnerships, and corporations.”
- Through programs that must have broad based eligibility.
- Cannot “aid a failing company,” “borrowers that are insolvent,” or “in bankruptcy” and require “security for emergency loans ...sufficient to protect taxpayers from losses.”
- With “prior approval of the secretary of the Treasury.”



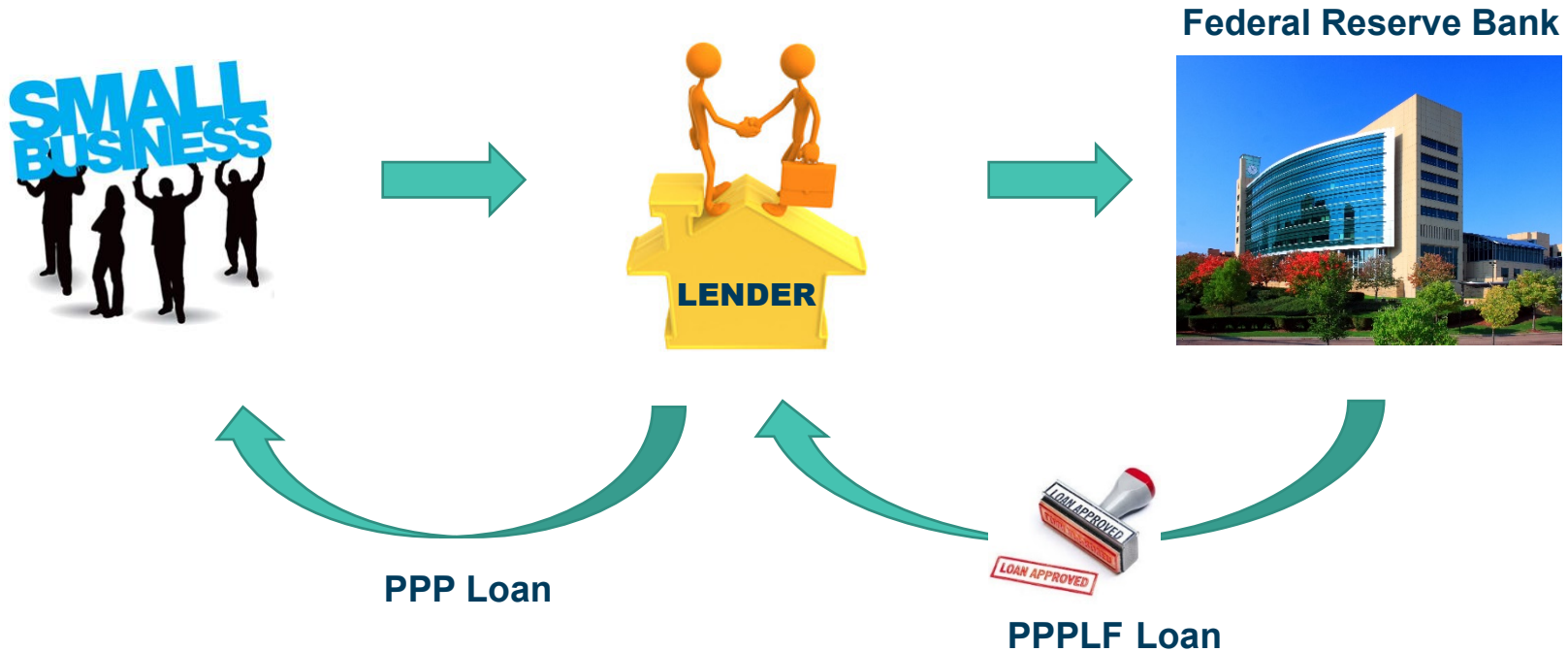
THE PAYCHECK PROTECTION PROGRAM LIQUIDITY FACILITY (PPPLF)

- The PPPLF is designed to bolster the effectiveness of the Small Business Administration's (SBA) Paycheck Protection Program (PPP) by providing liquidity to financial institutions using the PPP loans as collateral.
- Eligibility to participate in PPPLF:
 - **All lenders that are eligible to originate loans** to small businesses (under the PPP) may access term funding through the PPPLF; and
 - An eligible PPPLF participant may pledge SBA-guaranteed PPP loans that it has **originated or purchased**.



PPPLF HOW DOES IT WORK

PPPLF EXAMPLE



PPPLF TIMELINE

1st round PPP
\$349B

- 03/27/20 CARES Act established PPP
- 04/08/20 Federal Reserve Board announced PPPLF
- 04/16/20 First PPPLF Advance, by FRB Minneapolis

Additional PPP
\$310B

- 04/24/20 PPP and Health Care Enhancement Act
- 04/30/20 PPPLF expanded to non-DIs
- 06/05/20 PPP Flexibility Act

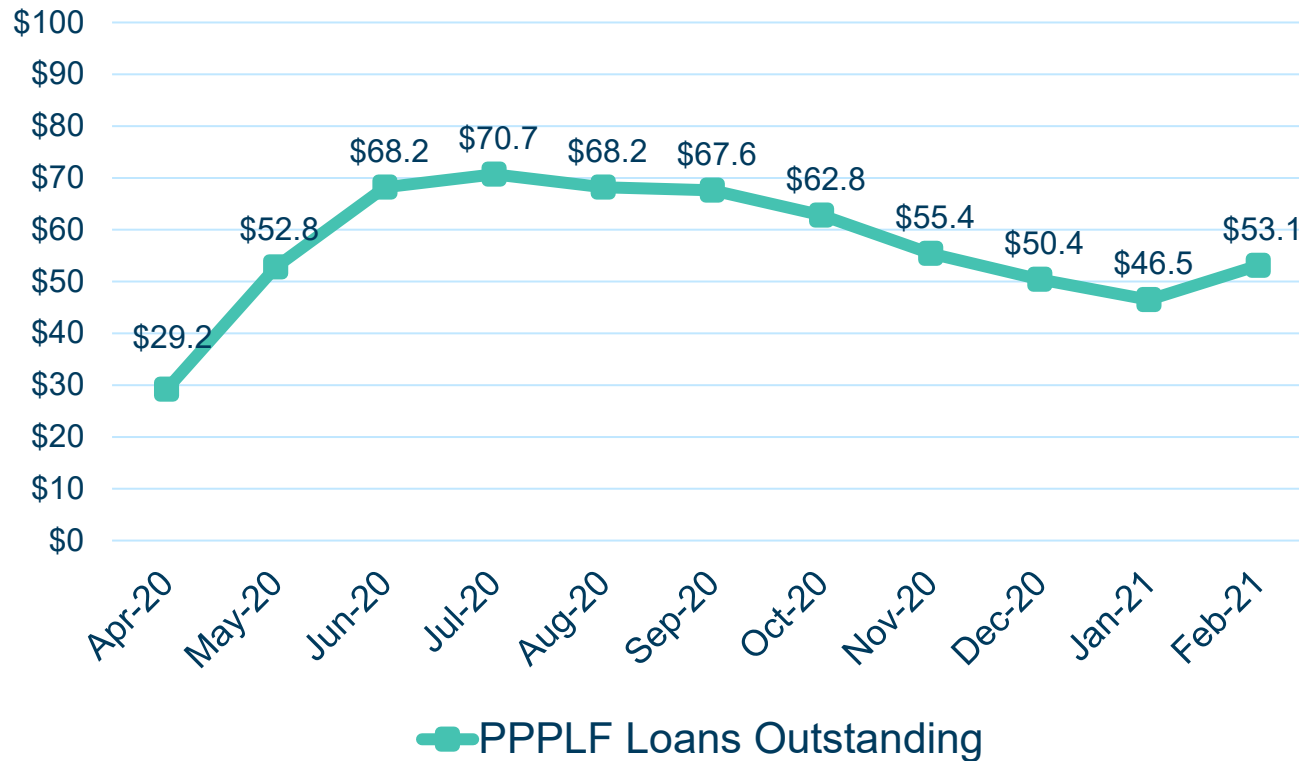
2nd round PPP
\$284B

- 12/27/20 Economic Aid Act
- 03/08/21 PPPLF extended to June 30, 2021
- 03/17/21 PPP extended to May 31, 2021



PPPLF IMPACT

PPPLF Transaction Volume (in Billions)



More than
\$118 billion
extended over
the course of the
program.

Data source: GAO and Federal Reserve Board Reports:
<https://www.gao.gov/products/gao-21-180> and <https://www.gao.gov/products/gao-21-387>
<https://www.federalreserve.gov/reports-to-congress-covid-19.htm>



MONITORING CONGRESSIONAL ACTIONS

- Additional rounds of funding qualified under Section 13 (3).
- Additional PPP extensions.
- SBA rules and PPP forgiveness process.

PROCESSING PAYMENTS

- Payoffs, PPP forgiveness



CONGRESSIONAL REPORTING

- Monthly

BANKER'S PERSPECTIVE:



Melodie Carlson
Chief Operating Officer, Sunrise Banks

“This is an opportunity that represents a ‘bigger than us’ moment. We’re being called to serve our country and get these funds out the door so we can keep people employed and keep our economy running. Together we need to save Main Street.”

-David Reiling, Sunrise Banks CEO



FEDERAL RESERVE BANK OF MINNEAPOLIS



Q&A

REFERENCES

- Board of Governors Press Releases:
<https://www.federalreserve.gov/newsevents/pressreleases.htm>
- Board of Governors PPPLF Resources:
<https://www.federalreserve.gov/monetarypolicy/ppplf.htm>
- Monthly Reporting:
<https://www.federalreserve.gov/reports-to-congress-covid-19.htm>
- GAO Reports:
<https://www.gao.gov/products/gao-21-180> and
<https://www.gao.gov/products/gao-21-387>
- Discount Window – PPPLF FAQ:
<https://www.frbdiscountwindow.org/Pages/General-Information/faq#list-item-1>
- Government Legislation:
3/27/20 CARES Act:
<https://www.congress.gov/bill/116th-congress/house-bill/748>
4/24/20 PPP and Health Care Enhancement Act:
<https://www.congress.gov/bill/116th-congress/house-bill/266>
6/5/20 PPP Flexibility Act:
<https://www.congress.gov/bill/116th-congress/house-bill/7010>
12/27/20 Economic Aid to Hard-Hit Small Businesses,
Nonprofits, and Venues Act:
<https://www.congress.gov/bill/116th-congress/house-bill/7010>

ADDITIONAL RESOURCES

- FRB Minneapolis Website:
<https://www.minneapolisfed.org/>
- Prior Conversations with the Fed presentations:
https://www.minneapolisfed.org/Search?text=conversations+with+the+fed&application=mpls_pub&source=mpls_pub
- List of Federal Reserve COVID-19 Pandemic emergency programs:
<https://www.federalreserve.gov/funding-credit-liquidity-and-loan-facilities.htm>
- FRB St. Louis blog post:
<https://www.stlouisfed.org/on-the-economy/2020/december/fed-emergency-lending-programs>
- Ask the Fed Webinar Sessions:
<https://bsr.stlouisfed.org/askthefed/Auth/Logon>
- Sunrise Banks blog post:
<https://sunrisebanks.com/stories/central-banks-what-are-they-and-how-do-they-differ-from-commercial-banks/>

