



## Small Business Administration Paycheck Protection Program Loans Information on Eligibility of Loans as Collateral at FHLBank Atlanta

On April 23, 2020, the Federal Housing Finance Agency (FHFA), the regulator of the FHLBanks, issued a [Supervisory Letter](#) announcing that the FHLBanks can accept Small Business Administration (SBA) Paycheck Protection Program (PPP) loans as collateral from members.

- While the FHFA has established certain requirements and conditions for PPP loans, acceptance of PPP loans as collateral is at the discretion of each individual FHLBank.
- At this time, FHLBank Atlanta (the Bank) is not accepting PPP loans as collateral.
- FHFA requirements related to acceptance of PPP loans may result in less value for the collateral than members can obtain at the Federal Reserve Bank. For example, the FHFA has required a minimum haircut of 10 percent of the unpaid principal balance of PPP loans if pledged to an FHLBank. Currently, the Federal Reserve Bank is accepting PPP loans as collateral at 100 percent of value.
- FHLBank Atlanta will continue to analyze acceptance of PPP loans as collateral based on the requirements established by the FHFA and the potential advantages of members pledging these loans to the Bank versus the Federal Reserve Bank.

### Actions Taken to Support Members' Liquidity Needs

- FHLBank Atlanta has reliably met members' liquidity needs during this challenging time and has taken steps to support members' borrowing capacity.
- The Bank is providing a [subordination](#) to the Federal Reserve Banks of Atlanta and Richmond of its lien on all SBA PPP loans that members originate that are pledged to the respective Federal Reserve Bank. This subordination allows members to pledge PPP loans to the Federal Reserve Bank as collateral for borrowing. (Notwithstanding the subordination, members must meet all of the Federal Reserve Banks' eligibility criteria to pledge PPP loans to the Atlanta or Richmond Federal Reserve Banks.)
- The Bank has also implemented other [collateral relief provisions](#) related to loan eligibility and reporting.
- In addition, the Bank announced a [special Fixed Rate Credit advance](#) with a reduced interest rate to support members' short-term liquidity needs.
- Funds from the special advance can be used for general liquidity and any lending activity.
- \$10 billion is available for the offering. Individual members can borrow up to a total of \$500 million. The offering will be available until funds are depleted.