

Revised as of June 16, 2009

Marked to show changes from May 19, 2009 version of FAQs

Effective ~~June 16,~~ May 19, 2009

Changes from May 19 Legacy CMBS FAQs  PDF

## General

### **Which nationally recognized statistical rating organizations (NRSROs) are TALF CMBS-eligible rating agencies?**

TALF CMBS-eligible rating agencies are DBRS, Inc., Fitch Ratings, Moody's Investors Service, Realpoint LLC and Standard & Poor's.

### **When is the initial subscription date for legacy CMBS?**

The initial legacy CMBS subscription date will be in late July. The specific date will be announced shortly. The subscription and settlement cycle for both legacy and new issue CMBS will occur in the latter part of each month, whereas the cycle for non-CMBS ABS TALF asset classes will remain in the first half of the month.

### **On what basis will the New York Fed decide whether or not to accept a CMBS under the legacy TALF program?**

The New York Fed may reject a CMBS based on factors including, but not limited to, the following:

- The CMBS does not meet the explicit requirements stated in the Terms and Conditions.
- Unacceptable performance of the

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mortgage loan pool. CMBS that represent interests in pools with high cumulative losses, a high percentage of delinquent loans, loans in special servicing or loans on servicer watch lists or a high percentage of subordinate-priority loans may be rejected. The New York Fed may consider in its decisions forecasts of pool level losses under various stress scenarios.

- Unacceptable concentrations. CMBS that represent interests in pools that, alone or considered together with loan pools backing other TALF-financed CMBS, possess one or more concentrations (such as borrower sponsorship, property type and geographic region) considered unacceptable to the New York Fed may be rejected.

The New York Fed will utilize the services of one or more agents in connection with the review of legacy CMBS and the loan pools that back them.

**Is there an agent that the New York Fed has selected to be collateral monitor for TALF as it relates to legacy CMBS?**

Trepp, LLC ("Trepp") has been selected to serve as a collateral monitor for the New York Fed for legacy CMBS. Trepp will assist the New York Fed by providing valuation, modeling, analytics and reporting, as well as advising on these matters. Trepp will not establish policies or make decisions for the New York Fed, including decisions whether to reject a CMBS as collateral for a TALF loan.

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**Will the New York Fed be adding other collateral monitors?**

The New York Fed may use the services of one or more collateral monitors in connection with TALF.

**What are the adjustments that will be required to determine the weighted average life of a legacy CMBS?**

The New York Fed is considering requiring that default-related circumstances be considered in calculating the weighted average life of a legacy CMBS. Details of any required adjustments will be announced shortly.

**How will the par-based haircuts be applied to the current prices of the CMBS?**

The maximum size of a TALF loan secured by a CMBS would be the current market price of the CMBS minus the base dollar haircut. This is the equivalent of a collateral haircut equal to the base dollar haircut divided by the current market price. For example, assuming a CMBS with a par value of 100 and a seven-year weighted average life, with a base dollar haircut of 17 percent of par:

- If the market price is 75% of par, the loan amount is 58 (75-17) and the collateral haircut is 23% (17/75).
- If the market price is 50% of par, the loan amount is 33 (50-17) and the collateral haircut is 34% (17/50).

Under this formulation, the size of the haircut increases with the size of the price's discount

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from par, reflecting a recognition that large discounts from par generally indicate credit concerns.

**Do CMBS (e.g., Class A-2) that receive principal later than the other most senior CMBS classes (e.g., Class A-1) but are otherwise *pari passu* with such other senior CMBS, qualify for TALF financing?**

Yes, the exclusion of "junior" CMBS in the Terms and Conditions is a reference to subordination for credit support, not to a later position in the time tranche sequence.

**When will more information about the other requirements that will apply to legacy CMBS be available?**

The New York Fed recognizes the importance of providing more specific information about the procedures and requirements for legacy CMBS, including the process for the New York Fed's right to reject CMBS as TALF loan collateral and the requirement that TALF loans be used to fund recent secondary market transactions that are executed on an arm's length basis. The New York Fed intends to announce the information well in advance of the initial subscription date for legacy CMBS.