

Articles

Treasury Expands Opportunities for Fund Managers in the Legacy Securities Program

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On April 6, 2009, the U.S. Treasury Department issued new guidance for its public-private investment program (PPIP) that may expand opportunities for asset managers acquiring mortgaged-backed securities held by U.S. financial institutions (termed "legacy securities").

The original guidelines proposed that Treasury would initially pre-qualify five Fund Managers that would manage the public-private investment funds purchasing legacy securities. In addition, each Fund Manager was required to satisfy five criteria, including having the ability to raise up to \$500 million in private capital in a short time period and having at least \$10 billion in legacy securities under management.

The new guidance provides:

- Following the initial pre-qualification, Treasury will consider lowering the \$10 billion asset requirement as well as other requirements to open the PPIP to additional Fund Managers.
- The failure to satisfy any one of the five criteria will not necessarily disqualify an applicant.
- The deadline for the application for the initial pre-qualification was extended until April 24, 2009.
- The Term Asset-Backed Securities Lending Facility (TALF) will also provide government financing to purchase legacy securities to asset managers that do not qualify as Fund Managers under the PPIP. In contrast to the PPIP, TALF is available to any U.S. company that has a relationship with a primary dealer (i.e., a broker-dealer identified as a primary dealer on the TALF website).

TALF has its own terms and conditions that should be reviewed by interested participants. Among other things, TALF does not provide the opportunity to receive equity financing from Treasury. In addition, the Federal Reserve has yet to issue revised guidelines that would permit TALF financing of legacy securities. If, as indicated, TALF is made available to all U.S. companies, smaller participants excluded from the PPIP will have an opportunity to purchase legacy securities with significant leverage provided by the Federal Reserve.

The new guidance contains additional information regarding the legacy securities program, which can be found [here](#). In addition, information regarding TALF, including terms and conditions, FAQs, lists of primary dealers and operative documents, can be found [here](#).

If you have any questions, or would like to discuss any of the foregoing in further detail, please feel free to contact David Barbour or Pat Sargent.