

March 31, 2020

Mr. John C. Williams
President and Chief Executive Officer
Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045

Re: Expansion of Commercial Paper Funding Facility

Dear Mr. Williams,

The American Financial Services Association (AFSA)¹ supports the Board of Governors of the Federal Reserve System's (Federal Reserve) decision to establish a Commercial Paper Funding Facility (CPFF) to encourage the flow of credit to households and businesses.² As the Federal Reserve knows, commercial paper markets directly finance a wide range of economic activity, supplying credit and funding for vehicle finance and mortgages as well as liquidity to meet the operational needs of a range of companies. By ensuring the smooth functioning of this market, particularly in times of strain, the CPFF will support families, businesses (particularly small businesses), and jobs across the economy.

In order to do so, though, the CPFF must be expanded. Currently, the SPV will only purchase U.S. dollar-denominated commercial paper (including asset-backed commercial paper) that is rated at least A-1/P-1/F-1 by a major nationally recognized statistical rating organization (NRSRO) and, if rated by multiple major NRSROs, is rated at least A-1/P-1/F-1 by two or more major NRSROs, in each case subject to review by the Federal Reserve.³

As the CPFF is structured right now, many vehicle finance companies cannot access this line of credit as they do not qualify under the credit rating limitation. Many vehicle finance companies are Tier II/III issuer (A-2/P-3) rated company. However, they still have solid credit and may be in the greatest need of assistance.

In fact, some of AFSA's members have entered into contracts with the U.S. Government that would assist the Federal Emergency Management Agency (FEMA) and others to deliver aid for the COVID-19 relief efforts. To do so, these businesses have been deemed "critical." They need short-term commercial paper financing for their current assets.

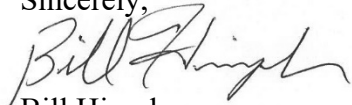
¹ Founded in 1916, AFSA is the national trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA members provide consumers with many kinds of credit, including traditional installment loans, mortgages, direct and indirect vehicle financing, payment cards, and retail sales finance.

² The Federal Reserve said that the CPFF will be structured as a credit facility to a special purpose vehicle (SPV) authorized under section 13(3) of the Federal Reserve Act. The SPV will serve as a funding backstop to facilitate the issuance of term commercial paper by eligible issuers.

³ In addition, the SPV will make one-time purchases of commercial paper (up to the amount outstanding on March 17, 2020) from issuers that met these criteria as of March 17, 2020 and were rated at least A-2/P-2/F-2 as of the purchase date. These purchases will be subject to separate pricing. The Federal Reserve reserves the right to review and make adjustments to the terms and conditions described in this term sheet, including pricing and eligibility requirements.

Modifying the CPFF would allow tier II and III issuers to apply for access to this important backstop would greatly increase the flow of credit to American consumers. Thank you for your consideration and all your work during this difficult time. Please contact me at 202-466-8616 or bhimpler@afsamail.org with any questions.

Sincerely,

A handwritten signature in black ink that reads "Bill Himpler". The signature is written in a cursive, flowing style.

Bill Himpler

President & CEO

American Financial Services Association