

MARKETS

Open Market Operations

Securities Lending

Primary Dealers

Reverse Repo Counterparties

Foreign Exchange

Maiden Lane Transactions

Programs Archive

Home > Markets

Maiden Lane Transactions

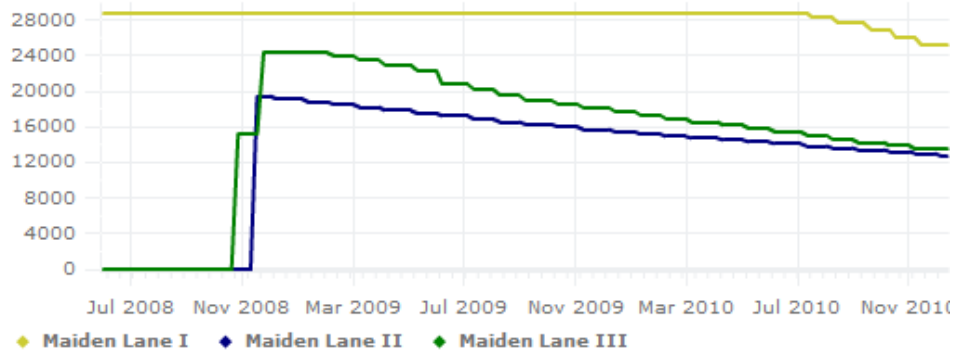
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Glossary »

Overview Maiden Lane Maiden Lane II Maiden Lane III News

OUTSTANDING LOAN BALANCE FOR MAIDEN LANE LLCs (\$ MILLIONS)

Date range: 1m | 3m | 6m | 1y | All

Chart | Explanation



Source: H.4.1 Factors Affecting Reserve Balances OFFSITE

Note: Data reflects the outstanding FRBNY senior loan principal balance for each of the LLCs and does not include accrued interest. Chart is updated on a weekly basis.

CUMULATIVE LOAN PAYDOWN AMOUNTS (\$ MILLIONS)

Maiden Lane	Maiden Lane II	Maiden Lane III
\$ 0 3 5 9 2	\$ 0 6 7 1 7	\$ 1 0 8 1 4

Source: H.4.1 Factors Affecting Reserve Balances OFFSITE

FINANCIAL OVERVIEW OF THE FACILITIES

Maiden Lane Facilities as of 1/12/2011 (\$millions)					
	Original FRBNY Senior Loan Balance	Accrued Interest	Cumulative Paydown Amounts	Current Senior Loan Balance with Accrued Interest	H.4.1 Fair Value*
Maiden Lane LLC	\$28,820	\$624	\$(3,592)	\$25,852	\$27,006

Maiden Lane II LLC	\$19,494	\$457	\$(6,717)	\$13,234	\$15,946
Maiden Lane III LLC	\$24,339	\$551	\$(10,814)	\$14,077	\$23,279

Source: [Federal Reserve Board H.4.1](#), Federal Reserve Bank of New York.

\* Portfolios remarked quarterly. Reflects 9/30/10 prices applied to the portfolio as of the reporting date.

## INTRODUCTION

The formation of the Maiden Lane LLCs in 2008 occurred during a time of severe economic distress in the United States. The sharp deterioration in the U.S. housing market in 2007, led to a loss of confidence in the value of mortgage-related products and in the financial institutions with exposures to these products. The ensuing funding pressures on a range of financial institutions and strained liquidity conditions across the financial system led the Federal Reserve to take a series of unprecedented policy actions to contain the broader risks the financial crisis posed to the economy. Among these actions, the Federal Reserve Board authorized the Federal Reserve Bank of New York (New York Fed) to form three limited liability companies under [Section 13\(3\) of the Federal Reserve Act](#) [OFFSITE](#) to facilitate lending in support of specific institutions:

Since 2008, the New York Fed has been focused on meeting the following objectives in the management of the Maiden Lane LLCs:

- Ensure that the loans extended to the Maiden Lane LLCs by the New York Fed are fully repaid
- Avoid actions that could disturb general financial market conditions

### MAIDEN LANE LLC (ML LLC)

**Purpose:** ML LLC was created to facilitate the merger of JP Morgan Chase & Co. (JPMC) and Bear Stearns Companies, Inc. (Bear Stearns) by purchasing approximately \$30 billion in assets from the mortgage desk at Bear Stearns.

**Terms:** The New York Fed lent ML LLC approximately \$28.82 billion. The loan has a 10-year term and accrues interest at the primary credit rate. JPMC lent ML LLC approximately \$1.15 billion. The JPMC loan has a 10-year term and accrues interest at the primary credit rate plus 450 basis points.

**Investment Objective:** Repay the New York Fed's senior loan (including principal and interest), while refraining from disturbing general financial market conditions. Following a 2-year reinvestment period, monthly loan repayment commenced in July 2010.

### MAIDEN LANE II LLC (ML II LLC)

**Purpose:** ML II LLC was created to alleviate capital and liquidity pressures on American International Group Inc. (AIG) stemming from its securities lending program by purchasing \$20.5 billion in residential mortgage-backed securities (RMBS) from several of AIG's U.S. insurance subsidiaries.

**Terms:** The New York Fed lent ML II LLC approximately \$19.5 billion. The loan has a 6-year term and accrues interest at 1-month LIBOR plus 100 basis points. The AIG insurance subsidiaries agreed to defer receipt of \$1 billion of the purchase price. The fixed deferred purchase price accrues at 1-month LIBOR plus 300 basis points.

**Investment Objective:** Maximize the long-term cashflows of the portfolio to repay the New York Fed's senior loan (including principal, interest, and residual), while refraining from disturbing general financial market conditions. Monthly loan repayment commenced in January 2009.

### MAIDEN LANE III LLC (ML III LLC)

**Purpose:** ML III LLC was created to alleviate capital and liquidity pressures on American International Group Inc. (AIG) stemming from credit default swap contracts by purchasing \$29.3 billion in multi-sector collateralized debt obligations from certain counterparties of

AIG Financial Products Corp. (AIGFP), enabling AIGFP to terminate the associated CDS.

**Terms:** The New York Fed lent ML III LLC approximately \$24.3 billion. The loan has a 6-year term and accrues at 1-month LIBOR plus 100 basis points. AIG contributed \$5 billion of equity to ML III LLC. AIG's equity interest accrues interest at 1-month LIBOR plus 300 basis points.

**Investment Objective:** Maximize the long-term cashflows of the portfolio to repay the New York Fed's senior loan (including principal, interest, and residual), while refraining from disturbing general financial market conditions. Monthly loan repayment commenced in March 2009.

#### OVERSIGHT

The New York Fed established the Investment Support Office, a staff of asset specialists and senior managers, to oversee and coordinate all matters related to the ML LLC, ML II LLC and ML III LLC assets. In consultation with New York Fed senior management and the Board of Governors, the Investment Support Office works with the investment manager, other service providers, auditors, internal financial risk managers, accountants and lawyers to ensure that the portfolios of the LLCs are managed appropriately and to maximize the likelihood that the senior loans from the New York Fed are repaid. As part of this work, the Investment Support Office carries out a range of responsibilities, including:

- ensuring that the New York Fed loans are repaid according to the investment objectives as efficiently as possible
- ensuring, where possible, that the public's interests are represented in the management of the portfolio assets
- mitigating each portfolio's financial and operational risks
- providing guidance to the investment manager
- managing day-to-day relationships with service providers
- conducting vendor oversight reviews
- coordinating portfolio reporting

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[Back to Top](#)