

title: [ARFC] Create an Excessive Debt Facility

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Summary

This proposal presents Aave with the opportunity to allocate a \$2.5M facility dedicated for facilitating the repayment of excessive debt on approved Aave deployments.

Abstract

A \$2.5M per calendar year facility enabling contributors to repay excessive debt of \$5,000 or more per wallet on approved Aave deployments.

Using this budget, any Aave contributor is able to repay excessive debt held within eligible wallets without needing to create Snapshot votes for each individual instance. A forum post detailing what is to occur, receipt of approval from the respective service provider ([@Llamaxyz](#)) and an AIP to implement the change will become the new process.

However, Snapshot is to be used to determine which Aave deployments are covered, or excluded, from accessing the Excessive Debt Facility. The process of adding and removing Aave deployments, is the same as how the Safety Module coverage is currently managed.

Motivation

The proposal seeks to streamline how Aave manages events leading to excessive debt accumulating within the protocol.

With the creation of an Excessive Debt Facility, Aave can move swiftly to repay any excessive debt across various networks. Upon implementation, the process becomes as outlined below:

- Submit ARFC detailing
- Affected Aave Deployment
- Affected Reserve
- Affected Wallet Address
- Excessive Debt Amounts
- Asset used to repay Excessive Debt
- Detail Any Asset Swaps and use of Agregator
- Affected Aave Deployment
- Affected Reserve
- Affected Wallet Address
- Excessive Debt Amounts
- Asset used to repay Excessive Debt
- Detail Any Asset Swaps and use of Agregator
- Approval from respective Service Provider ([@Llamaxyz](#))
- Submit payload to [@bgdlabs](#) for peer review
- Submit an AIP for voting, or payload to the Guardian where cross chain infrastructure is not yet implemented.

Any contributor can publish an ARFC proposal, then the respective service provider ([@Llamaxyz](#)) will approve the request on the forum and then anyone can submit an AIP to governance. This approach mirrors the process for increasing SupplyCaps whereby one risk providers support is needed before an AIP can be submitted. This proposal is to utilise the expedited process by removing Snapshot votes from the process to minimise the duration in time from when the excessive debt occurs and is repaid.

With the creation of an Excessive Debt Facility, this streamlines how to implement repayments within the specific facility allowance. Rather than proposing which assets can be used to fund any Excessive Debt repayment, this proposal outlines which assets are not to be used when funding Excessive Debt repayments.

This approach also creates transparency around how to fund the repayments up to a defined threshold. By removing the Snapshot step and defining which assets can be used to refund Excessive Debt repayments, repayments can be streamlined and implemented by any contributor.

The overall Excessive Debt Facility is to be managed by the respective service provider. At the time of writing, Aave has engaged Llama to provide this service. Llama will be responsible for reviewing any ARFC from the community and verifying the proposal is in line with this governance forum publication.

Specification

The following outlines an overview to the approach for determine eligible of coverage by the Excessive Debt Facility:

The following Aave Deployments are covered:

- Ethereum v3
- Ethereum v2
- Polygon v3
- Avalanche v3
- Optimism v3
- Arbitrum v3

Aave deployments not mentioned above are excluded until a Snapshot vote extends coverage to the proposed deployment.

Wallet eligible requirement:

- \$5,000 or more in excess debt

Wallets with smaller amounts of excessive debt are not eligible for funding as part of this proposed facility.

Excessive Debt Facility:

- \$2.5M per calendar year, rolling basis

Asset used when repaying excessive debt:

- Any assets on applicable network excluding the below:
- BAL, CRV, AAVE, network tokens or liquid staking tokens
- BAL, CRV, AAVE, network tokens or liquid staking tokens

If Excessive Debt was to be incurred in BAL, CRV, AAVE, network tokens or liquid staking tokens reserves, then another asset is to be swapped and used to repay the excessive debt. Aave shall retain BAL, CRV, AAVE, network tokens and liquid staking tokens, whilst using other assets to repay any excessive debt.

Location of funds:

- Treasury or Collector Contract address on respective network

Execution:

- ARFC forum post
- [@Llamaxyz](#) reviews, approves and comments on forum
- Payload submitted to BGD for peer review
- Submit AIP or payload to Guardian where cross chain infrastructure is not yet implemented

If an asset is to be swapped from one type to another, then swaps are to be routed via MEV protected aggregators. [@Llamaxyz](#) with support from [@bgdlabs](#) will develop a template to facilitate standardisation and ease of implementation. Where communities prefer, [@Llamaxyz](#) will support the development of and implementation of any associated Excessive Debt repayment payload.

Implementation

To repay the excess debt, the repay function will be used. This function requires the token which the excessive debt is nominated in, the amount and the address which the excessive debt that has accumulated within.

```
pool.repay(crv, total bad debt, variableInterest, Address)
```

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