

LIBOR Transition FAQs

Under the guidance of FHFA, Fannie Mae and Freddie Mac are providing jointly prepared answers to frequently asked questions related to the GSE’s transition away from LIBOR-indexed products to SOFR-indexed products. The Enterprise section answers high-level questions applicable to all products followed by Q&A sections specific to Single-Family adjustable rate mortgages and PCs/UMBs, Credit Risk Transfer transactions, Multifamily adjustable rate mortgages and securities and Collateralized Mortgage Obligations.

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Summary of Changes

The table below details the list of changes since the June 2020 version of the FAQs published on the Fannie Mae and Freddie Mac websites.

Section	Summary of change
December 2020	
Enterprise	Q10. Updated language to reflect what new floating rate notes have been launched using a SOFR-based index and the date of the first purchased SOFR indexed-loans Q11. Updated language to reflect December

	announcement on legacy replacement index. Q12. Updated language around why the GSEs are not waiting for a Term SOFR Index for legacy transition.
Single Family	Q2/Q4/Q5/Q6. Minor edits. Q7. Added a new question on how 30-day SOFR is calculated. Q20. Updated language to reflect December announcement on legacy replacement index.
SF Credit Risk Transfer	Q2. - Q6. Updated for SOFR-based CRT issuance Removed Q8. - Q14. and consolidated SOFR market convention related questions to Q15. (now Q8.) Q18. (now Q11.) Updated to reference legacy announcement and spread adjustment Added Q12. - Q15. for legacy SF CRT
Freddie Mac – Multifamily Floating Rate Loans and Securities	Q1. Removed dates that are no longer current.
Freddie Mac Multifamily Credit Risk Transfer	Q3 Deleted paragraph with regards to LIBOR issuance

Enterprise

Q1. Why is there a need for an alternative to LIBOR?

LIBOR is an average rate derived from global banks submitting estimates of what it would cost them to secure funding on an unsecured basis for a number of tenors (periods) ranging from overnight to one year. The nature of inter-bank lending has shifted over time from unsecured to secured lending. Accordingly, panel banks submitting their quotes to the LIBOR administrators have fewer unsecured transactions on which to base their submissions, and therefore must base their submissions more on expert judgement making LIBOR a less reliable indicator of economic activity.

In 2017 Andrew Bailey, the Chief Executive of the U.K.'s Financial Conduct Authority (FCA), stated that FCA would no longer require banks to make LIBOR submissions after 2021. This means that the continued existence of the index will depend on whether or not banks voluntarily choose to submit, making it a very real possibility that the index will stop being produced altogether.

While the precise volume of transactions in markets underlying LIBOR is unknown, estimates show that on a typical day, the volume of three-month wholesale funding transactions by major global banks was about \$500 million.

LIBOR serves as the principal reference rate for a wide variety of products, representing a USD \$200 trillion global market. Cessation of LIBOR without an alternative reference rate would leave the market without an underlying rate. Given the large number of transactions and dollar volumes that are underpinned by LIBOR, this will cause significant market disruption.

Q2. When is LIBOR going away?

The Intercontinental Exchange (ICE) is the benchmark administrator for LIBOR and publishes LIBOR indexes daily based on quoted rates provided by member panel banks. In 2017, Andrew Bailey, the Chief Executive of the United Kingdom's Financial Conduct Authority (FCA) announced that the FCA will no longer persuade or compel member panel banks to make LIBOR quote submissions after 2021.

On December 4, 2020, the ICE Benchmark Administration Limited (IBA) released a consultation on its intention to cease publication of 1 week and 2 month USD LIBOR at the end of 2021, and all other tenors after the last publication on June 30, 2023. The consultation closes on January 25, 2021, after which the market will know whether certain LIBOR indices will be extended in their current form until mid-2023. Nonetheless, U.S. regulators including the Federal Reserve Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency issued a statement encouraging market participants to "transition away from U.S. dollar (USD) LIBOR as soon as practicable and in any event by December 31, 2021."

Q3. What is SOFR?

The Secured Overnight Financing Rate (SOFR), is based on actual transactions in the U.S. Treasury repurchase (repo) market, one of the largest markets in the world. This is the market where borrowers can sell their U.S. Treasury bond assets to investors with a promise to repurchase them the following day, thus effectively creating an overnight loan where the collateral is U.S. Treasury bond assets.

SOFR is the preferred alternate reference rate for U.S. dollar-denominated LIBOR contracts, as selected by the Alternative Reference Rates Committee (ARRC) (see Q.6 below for a description of the ARRC), because

SOFR is based on actual transactions in a market where extensive trading happens every day. In contrast, LIBOR is based on estimates of interbank borrowing rates in the London market provided by global banks that agree to serve as LIBOR panel banks.

The Federal Reserve Bank of New York (New York Fed) began publishing SOFR in April 2018 as part of an effort to replace LIBOR. SOFR complies with the governance standards of the International Organization of Securities Commissions (IOSCO).

For information on SOFR and how the SOFR daily benchmark rate is determined and published by the Federal Reserve [click here](#).

Q4. How is SOFR different than LIBOR?

The transaction volumes underlying SOFR are far larger than the transactions in any other U.S. money market and dwarf the volumes underlying LIBOR. SOFR is a representation of general funding conditions in the overnight Treasury repo market. As such, SOFR reflects the economic cost of lending and borrowing relevant to the wide array of market participants active in the Treasury repo market.

The ARRC believes that SOFR is the most appropriate reference rate for wide-spread and long-term adoption because, among other reasons, it:

- Is IOSCO compliant;
- Is fully transaction-based;
- Encompasses a robust underlying repo market with more than \$1 trillion in daily transactions;
- Is an overnight nearly risk-free reference rate that correlates closely with other money market rates; and
- Covers multiple repo market segments allowing for future market evolution.

Q5. Where is SOFR published?

The New York Fed, as administrator of SOFR and in cooperation with the Treasury Department's Office of Financial Research publishes the 30-, 90-, and 180-day SOFR compound averages ("30-day Average SOFR", "90-day Average SOFR", "180-day Average SOFR") as well as an overnight SOFR index. These indices are available [here](#).

Potential users of the SOFR Averages and Index can subscribe [here](#) to receive alerts and updates from the New York Fed.

Q6. What is the Alternative Reference Rates Committee (ARRC)?

The ARRC is a group of private-market participants convened by the Board of Governors of the Federal Reserve System and the New York Fed to help ensure a successful transition from USD LIBOR to a more robust reference rate, its recommended alternative, SOFR. The ARRC is comprised of a diverse set of private-sector entities, including trade associations, each with an important presence in markets affected by USD LIBOR, and a wide array of official-sector entities, including banking and financial sector regulators, as non-voting ex-officio members. Both Fannie Mae and Freddie Mac are members of the ARRC and participate in many of its working groups. FHFA, the conservator and regulator of Fannie Mae and Freddie Mac, is a non-voting ex-officio member of the ARRC.

For more information on the ARRC, visit their website [here](#).

Q7. How are the GSEs preparing for the LIBOR transition internally?

Both GSEs have program offices focused solely on the LIBOR transition that coordinate across all products, business areas and functions within the Enterprises as well as with customers and vendors. There are also individual workstreams responsible for implementing LIBOR transition across the various products.

The GSEs are also both members of the ARRC and participate in many of its working groups.

Q8. The Ice Benchmark Administration Limited (IBA) recently released a consultation on its intention to cease publication of 1 week and 2 mo USD LIBOR at the end of 2021, and all other tenors after the last publication on June 30, 2023. Does this potential extension change the GSEs plans for their LIBOR transitions?

IBA's consultation period ends on January 25, 2021, after which the market will know whether certain LIBOR indices will be extended in their current form until mid-2023. Regardless, the GSEs remain committed to preparing ourselves and our customers for a transition to alternative reference rates as soon as possible. We both will have ceased purchasing and issuing LIBOR-based products by the end of 2020 and will continue developing liquidity in SOFR-based products.

The developments in the UK over the next several months will be important for legacy LIBOR products and we will continue to monitor those developments and update the market appropriately.

Q9. What GSE products are affected?

Any floating-rate product currently referencing LIBOR is affected, including: Single-Family ARMs and PCs/MBS, Multifamily ARMs and Securities, Single-Family CAS (for Fannie Mae) and Single-Family STACR (for Freddie Mac), Multifamily CRT, Collateralized Mortgage Obligations (CMOs), early funding, Structured Transactions, floating-rate debt, and derivatives. We are evaluating each product independently and are making decisions that are appropriate for that product to enable the transition from LIBOR.

Q10. What is a legacy LIBOR product?

Legacy LIBOR products are any outstanding floating-rate products that currently reference LIBOR, but do not include ARRC-recommended fallback language. These mortgages, transactions, securities, etc. will also be transitioned to a new index in response to the cessation of LIBOR.

Q11. Have the GSEs selected SOFR as the replacement index for *new* floating rate products?

We support the ARRC's recommendation to replace LIBOR with a new index based on SOFR and have already issued several new floating rate products indexed to SOFR. Please see the [Fannie Mae](#) and [Freddie Mac](#) LIBOR Transition websites for all announcements that have been made, including additional details on each product's launch. Please see below for a summary of the GSEs existing and future plans regarding SOFR-indexed products.

- Corporate debt securities:
 - Both GSEs are active issuers of SOFR-linked debt offerings.
 - Fannie Mae issued the market's first ever SOFR debt issuance in July 2018. Freddie Mac has issued corporate debt since November 2018.
- Single-Family and Multifamily Adjustable-Rate Mortgages (ARMs):
 - Fannie Mae issued the market's first-ever Single-Family and Multifamily MBS backed by SOFR

ARMs, with trade dates on October 23rd and September 10th, respectively. Fannie Mae began accepting deliveries of Single-Family ARM loans indexed to SOFR beginning August 3, 2020. Fannie Mae began pricing Multifamily SOFR ARM products on September 1, 2020 and began accepting delivery of Multifamily SOFR ARMs on October 1.

- Freddie Mac began accepting deliveries of Single-Family ARM loans indexed to SOFR as of November 9, 2020 under the cash and securitization executions.
- Freddie Mac began issuing quotes for SOFR-indexed floating rate loans on a limited basis in early August 2020 and expanded to all of its Optigo Lenders on September 1, 2020, and purchased its first SOFR indexed-loan at the end of September 2020.
- The GSEs will no longer acquire Single-Family or Multifamily ARMs indexed to LIBOR by the end of 2020.
- Single-Family and Multifamily Credit Risk Transfer (CRT):
 - Subject to market conditions: Fannie Mae is on track to issue SOFR-based Single-Family and Multifamily CRT offerings in the future. Freddie Mac issued the first SOFR-based STACR in October 2020, and ceased issuing LIBOR-based STACR at the same time. Subject to market conditions, investor readiness and regulatory approval, Freddie Mac may issue a Multifamily SOFR-based CRT product in the fourth quarter of 2020.
 - Fannie Mae will cease issuing LIBOR-indexed Single-Family and Multifamily CRT products by the end of the fourth quarter of 2020. Freddie Mac will cease issuing LIBOR-indexed Multifamily CRT products by the end of the fourth quarter of 2020, and has already ceased issuing LIBOR-based Single-Family CRT.
- Collateralized Mortgage Obligations (CMOs) (i.e., REMICs and Strips):
 - The GSEs began offering SOFR-indexed CMOs beginning in July 2020;
 - The GSEs ceased issuing new LIBOR-indexed CMOs.

Beginning December 2019, Freddie Mac began issuing Multifamily K-Deals with one class indexed to SOFR in each deal

Q12. Have the GSEs chosen SOFR as the replacement index for *legacy* LIBOR products?

We have not determined the replacement index for any legacy products if LIBOR ceases in the future. Addressing what happens to legacy products is one of the largest remaining issues for market participants, legislatures, and regulators. As the industry focuses on the transition of legacy securities, the GSEs will continue to follow regulatory guidance, particularly from the Consumer Finance Protection Bureau (CFPB) and FHFA. Based on the guidance, and informed by development occurring during the transition period, the GSEs will seek fair outcomes in an effort to minimize the potential economic impact on both borrowers and investors to the extent possible.

LIBOR products that include ARRC-recommended fallback language will transition to SOFR pursuant to their terms.

We will continue to work with the ARRC, FHFA, and other industry partners on the transition of legacy LIBOR products and will communicate details pertaining to legacy LIBOR products in advance to facilitate any legacy product transition.

Q13. Why are the GSEs not waiting for a term SOFR to be developed?

Reducing the LIBOR exposure for the investors and GSEs is very important. A term SOFR is not critical for new SOFR products and it is uncertain whether a term SOFR rate will be available before the time LIBOR is no longer available. The GSEs will continue to work closely with key market participants to transition new purchases, securitizations and transactions using available SOFR rates.

Q14. What is a term SOFR?

Term SOFR is a forward-looking rate derived from swaps and futures transactions in commodity markets where speculators and hedgers buy and sell contracts based on their forward-looking expectations of future interest rate movements based on various terms or tenors (i.e., 1-month, 3-month, 6-month or 12-month).

Q15. What is fallback language?

The fallback language provides direction on the selection of the replacement index if certain events occur with respect to the currently utilized index. The ARRC's recommended contract language is meant to provide greater clarity to parties involved in financial transactions on when and how a replacement index will be chosen.

Q16. What are the GSEs doing regarding fallback language?

In many cases, the legal documents specify that the respective GSE choose a comparable alternative rate should the prevailing reference rate cease to exist. We understand that even with such language, the choice of an alternative reference rate is a complex topic.

The ARRC has recommended and each GSE has implemented new fallback language to provide enhanced clarity regarding the circumstances when a reference rate will be changed, and the replacement rate and spread adjustment that will be applied to that replacement rate to minimize the expected value transfer when moving to the new rate. The ARRC recommended fallback language is intended to provide greater clarity concerning when and how a replacement index for newly originated instruments will be chosen in the event the current index is no longer available or representative.

- **Single-Family ARMs:**
 - In November 2019, the GSEs announced their support for using the ARRC's recommended Fallback Language for all Single-Family ARM security instruments. i ([Fannie Mae Announcement](#)) ([Freddie Mac Announcement](#)).
 - On February 5, 2020, the GSEs incorporated the ARRC's fallback language in all existing standard ARM notes and riders (for LIBOR and CMT), which Sellers must use for ARMs with note dates of June 1, 2020 or later. ([Fannie Mae Lender Letter LL-2020-01](#)) ([Freddie Mac Bulletin 2020-1](#)) :
- **Credit Risk Transfer:** The GSEs adopted ARRC recommended fallback language in their CRT deals beginning with Fannie Mae's CAS 2020-SBT1 and Freddie Mac's CRT deals beginning with STACR 2020-HQA2, both issued in March 2020.
- **Collateralized Mortgage Obligations:** Fannie Mae and Freddie Mac included a slightly modified version of the ARRC fallback language for all new CMOs beginning in June 2019 and October 2019, respectively. Their waterfall language provides for the use of Term SOFR as the first alternative index, but if Term SOFR is determined to be not administratively feasible, the next alternative index is Compounded SOFR.
 - On 5/28/2020, the GSEs posted supplement/amendments to the governing legal documents of certain of their legacy LIBOR-indexed CMOs with new provisions modelled on language endorsed by the ARRC ([Fannie Mae's supplement posting](#)) ([Freddie Mac's amendment postings](#)).

Single-Family Adjustable-Rate Mortgages (ARMs)

Q1. Is there an impact to Uniform Mortgage-Backed Securities (UMBS)?

No. UMBS are backed only by fixed-rate loans.

Q2. Can lenders still sell LIBOR-indexed Single-Family ARMs to the GSEs?

Yes, however, under FHFA guidance, the GSEs will no longer acquire LIBOR ARM loans by the end of 2020.

To be eligible for delivery to the GSEs, all LIBOR-indexed ARMs must have loan application dates on or before September 30, 2020. In addition, all LIBOR-indexed ARMs with application dates on or prior to September 30, 2020 must be purchased as whole loans on or before December 31, 2020, or delivered in MBS pools with issue dates on or before December 1, 2020.

Q3. What are the Single-Family SOFR ARM subtypes and prefixes?

The Single-Family SOFR ARM prefixes were communicated in Fannie Mae Lender Letter LL-2020-01² and Freddie Mac Bulletin 2020-9. In addition, the Fannie Mae Prefix Glossary, the Fannie Mae ARM MBS Subtypes, and the Freddie Mac Prefix Library (for Freddie Mac 75-day prefixes) have been updated. Please see the subtypes and prefixes on p.19 of the SF Chapter in the Playbook ([Playbook](#))

Q4. What SOFR rate will be used and where is the rate available for Single-Family SOFR-indexed ARMs?

The GSEs are using the 30-day Compound Average SOFR which the New York Fed began publishing on March 2, 2020 on its [website](#).

Q5. Why are the reset periods pegged at six months instead of traditional one-year reset?

With the shift to using a 30-day Compound Average SOFR in our new products, the ARRC [white paper](#) discusses how a 6-month reset would help mitigate the potential mismatch between the loan rate set in advance based on historical averages of SOFR relative to future changes in market interest rates.

Historical data indicates that an average of the overnight rate with a 6-month reset period is more comparable to subsequent movements in interest rates than LIBOR with an annual reset period.

Q6. Since the periodic reset period is six months, does this imply that there will be a 6-month term SOFR?

For the new SOFR-indexed ARM product, the index is the 30-day Average SOFR and the rate reset period is six months. The six-month rate reset period is unrelated to whether a Single-Family ARM product indexed to term SOFR will eventually be developed. See Enterprise FAQ #12.

¹For Fannie Mae these policies apply to all LIBOR ARM plans including plan number 2720 through 2729 and 2737

²Fannie Mae Lender Letter LL-2020-01 communicated both ARM subtypes and prefixes

Q7. How are the SOFR and the 30-Day Compound Average SOFR rates calculated?

Please see <https://apps.newyorkfed.org/markets/autorates/SOFR> for detailed information about how the SOFR Rate is calculated. For information on how the 30-day Compound Average SOFR is calculated, please see https://www.newyorkfed.org/markets/opolicy/operating_policy_200212.

Q8. Why was the periodic reset cap changed to one percentage point?

The change of the reset period from a 12-month periodic reset to a 6-month periodic reset created the need to lower the periodic reset cap. This safeguards against unexpected payment increases and remains consistent with current market practices. As a result, even in a period of rapidly rising interest rates, a borrower's payment would not change by more than two percentage points in a given year – which is the prevailing market convention.

Q9. How do we determine the lifetime floor now that this is a field in the note that the Seller needs to populate?

Fannie Mae's Selling Guide and Freddie Mac's Single-Family Seller/Servicer Guide each dictate that the lifetime floor must equal the initial mortgage margin, which must be populated into the applicable fields in the note. Once set at origination, the lifetime floor will not change over the life of the loan.

Q10. What will the mortgage margin be for new SOFR-indexed ARM offerings?

The new SOFR-indexed ARM products have a maximum mortgage margin of 3.00%. The ARRC recommends a mortgage margin between 2.75% and 3.00%.

Q11. Where can consumers find more information on SOFR-indexed ARMs and program disclosures?

The Consumer Financial Protection Bureau (CFPB) website contains up to date information on program disclosures as well as information on ARMs. It can be accessed [here](#).

Q12. Will the GSEs use a 45-day lookback period for SOFR-indexed hybrid ARMs to determine the 30-day Average SOFR rate?

Yes, we will use a 45-day lookback period.

Q13. Will the GSEs offer an assumability option for the SOFR-indexed ARM offerings?

Yes. SOFR-indexed ARM Notes and Riders that provide for assumption during the adjustable rate period following the fixed rate period of the ARM are currently available.

Q14. When will the GSEs' respective systems be updated to reflect SOFR-indexed ARMs?

Please refer to the GSEs' April 1, 2020, bulletins for details. See Freddie Mac [Bulletin 2020-9] and Fannie Mae [Selling Guide Announcement SEL-2020-02].

Q15. Do Lenders need to be ready to utilize the new DU® and LPA® Automated Underwriting Specifications prior to originating SOFR-indexed ARMs?

Fannie Mae response	Freddie Mac response
No. Lenders can originate SOFR-indexed ARMs without making any system changes.	No. Freddie Mac has made SOFR-indexed ARMs available in Loan Product Advisor beginning Oct. 1, 2020 using the Loan Product Advisor v4.8.01. Loan Product Advisor v 5.0.06 is not required to start underwriting SOFR-indexed ARMs.

Q16. Are the GSEs making additional changes under the Uniform Mortgage Data Program (UMDP)?

Yes. The GSEs are making sure SOFR-indexed ARMs are accounted for in the applicable UMDP datasets. See the joint announcement ([Fannie Mae: UMDP announcement](#)) ([Freddie Mac: UMDP announcement](#)) where the changes to the UMDP datasets were communicated.

Q17. Will SOFR-indexed ARMs be available for cash and guarantor execution?

Yes. Sellers will be able to deliver SOFR-indexed ARMs through cash or guarantor executions. Bulk transactions will also be an available execution to sell SOFR-indexed ARMs.

Q18. Why were the Single-Family LIBOR ARM Notes and Riders updated on February 5, 2020?

The GSEs updated the Single-Family LIBOR ARM Notes and Riders to reflect the fallback language that the ARRC recommended in preparation for the potential cessation of LIBOR.

While current Single-Family ARM contract language allows the GSEs and other noteholders to replace the LIBOR index, it does not provide specific guidance on how to make such a replacement. The ARRC’s recommended language is more robust because it clearly specifies what borrowers and investors should expect regarding when and how a replacement index will be chosen.

Q19. Were only the LIBOR Single-Family ARM Notes and Riders updated in February 2020 to include the ARRC recommended fallback language?

No. All GSE Single-Family ARM Notes and Riders were updated in February, not just LIBOR-indexed ARM Notes and Riders. In addition, on April 1, 2020, the GSEs published SOFR-indexed Single-Family ARM Notes and Riders that include the ARRC recommended fallback language.

Q20. Have you chosen a replacement index for Single-Family legacy LIBOR-indexed ARMs?

We have not chosen a replacement index for any of our legacy LIBOR-indexed ARMs. The GSEs are working together at the guidance of our regulator to address the replacement index.

Addressing what happens to legacy LIBOR-indexed ARMs is one of the largest remaining issues for the legislatures, regulators and the ARRC. The GSEs are working together at the guidance of our regulator to address these and other challenges. . As the industry focuses on the transition of legacy securities, the

GSEs will continue to follow regulatory guidance, particularly from the Consumer Finance Protection Bureau (CFPB) and FHFA. We also are working with the ARRC, which includes the Consumer Products working group focused on the transition of Single-Family legacy LIBOR-indexed ARMs and other non-GSE consumer LIBOR-indexed products. We will provide guidance as work on these issues progresses.

Based on regulatory guidance, and informed by developments occurring during the transition period, the GSEs will seek fair outcomes to minimize the potential economic impact on both borrowers and investors to the extent possible. We will communicate details pertaining to legacy LIBOR products in advance to facilitate any legacy product transition.

Q21. Could LIBOR-indexed ARMs become fixed rate?

When LIBOR is no longer available/published, the GSEs (as noteholders) have the obligation to choose a successor index based on comparable information. While we have not yet chosen a replacement index for legacy products (given that LIBOR remains available), a fixed rate is not something we view as being comparable to LIBOR.

Q22. What does the legacy Single-Family ARM fallback language say?

In many cases for loans owned by the GSEs, Fannie Mae's and Freddie Mac's legal documents allow for the applicable noteholder to choose a comparable alternative rate should the prevailing reference rate cease to exist. At the loan-level, the contract language determines the key decision-maker concerning the replacement index. Our uniform instrument (the Single-Family ARM note) contains a provision that, if an index becomes unavailable, we (as noteholder) have the authority and obligation to choose a successor index. The language is also described in the Fannie Mae Single-Family MBS Prospectus and Freddie Mac PC Offering Circular under ARM Indices.

The GSEs published updates to joint Fannie Mae/Freddie Mac uniform ARM notes and riders to incorporate the ARRC's recommended fallback language for newly originated ARMs. In our respective April 1, 2020 announcements, the SOFR-indexed ARM uniform notes with the ARRC fallback language were made available.

Q23. Will you create an ARM product indexed to term SOFR? When there is a term SOFR what will happen to this product?

The GSEs were tasked with creating a SOFR-indexed product now. Accordingly, we designed the product using the existing 30-day Average SOFR, as published by the New York Fed. This does not preclude other ARM products from being offered in the future.

Q24. Why are you retiring the CMT ARM plans – it appears the CMT index will continue to be published?

Under the guidance of FHFA, we will be retiring the CMT ARM products in 2021. Our regulator prefers that we only use robust, IOSCO-compliant rates.

Q25. What are the options for individual borrowers with LIBOR ARMs?

To date, nothing has changed for borrowers with existing ARM mortgages. As always, individual borrowers can choose to keep their LIBOR-indexed ARMs or seek to refinance into a fixed-rate or non-LIBOR based product. For borrowers who choose to keep their LIBOR-indexed ARMs, once LIBOR is no longer available,

servicers of GSE owned loans will inform borrowers of the replacement index that is chosen by the GSEs in consultation with FHFA.

Q26. Since there is not a specific mortgage margin associated with the SOFR ARM product, can loans with different mortgage margins be securitized in the same Fannie Mae MBS / Freddie Mac PC?

Yes, loans with varying mortgage margins may be securitized in the same Fannie Mae MBS / Freddie Mac PC or delivered into whole loan commitments.

Q27. Can the initial fixed rate on a SOFR ARM be lower than the mortgage margin?

Yes, the lifetime floor, which must equal the initial mortgage margin, only applies during the adjustable rate period. However, the initial fixed rate cannot be lower than the margin minus the initial reset cap. For example, for a 5/6-Month SOFR-indexed ARM with a 3% margin and a 2% initial reset cap, the initial fixed rate cannot be lower than 1% (3% margin – 2% reset cap).

Single-Family Credit Risk Transfer (SF CRT)

Q1. Will the GSEs adopt ARRC recommended fallback language in new issuance CRT deals?

Yes. The GSEs support the ARRC recommended fallback language. Starting with the GSEs' respective transactions, they adopted the recommended securitization fallback language, as listed below:

Fannie Mae: CAS 2020-SBT1 transaction in March 2020

Freddie Mac: STACR 2020-HQA2 transaction in March 2020

Q2. Are the GSEs planning to issue non-LIBOR based SF CRT deals?

Reducing LIBOR exposure for both the GSEs and investors is very important to us. Freddie Mac has moved its Credit Risk Transfer program away from the LIBOR based CRT issuance in October 2020. Fannie Mae is on track to issue SOFR-based Single-Family and Multifamily CRT product offerings in the future.

Q3. What benchmark index will the GSEs use in non-LIBOR based SF CRT deals?

The GSEs support the ARRC's recommendation of SOFR as the replacement for LIBOR benchmark. The GSEs currently plan to structure SOFR-indexed CRT transactions so that they would:

- Initially use 30-day Average SOFR (published by the NY Fed) as the reference rate, with a determination date of 2 business days (2BD) prior to the beginning of the accrual period
- Subsequently transition to using an IOSCO compliant One-month Term SOFR at a later date, if the appropriate regulatory authority approves such a rate
 - This subsequent transition would be made as soon as One-month Term SOFR can be operationalized and is administratively feasible, and the transition would make use of the same Determination Date conventions mentioned for 30-day Average SOFR above.
 - A spread adjustment will not be applied when this subsequent transition to term SOFR is made.
 - This subsequent transition could occur prior to the time LIBOR ceases or is declared to be non-representative

Q4. What are the key considerations for the GSEs to decide when to move to SOFR-indexed SF CRT issuance?

In October 2020, Freddie Mac successfully issued its inaugural SOFR-based STACR transaction (STACR 2020-DNA5) with broad support from all key CRT market participants.

A successful transition to SOFR-indexed CRT issuance will require the entire "ecosystem" (e.g., the GSEs as the issuers, CRT investors, broker/dealers, trustees, calculation agents, rating agencies, data vendors, etc.) to be ready. Other key items include the development of the SOFR market, and the breadth and depth of the SOFR-indexed derivatives and financing market.

In June 2020, the GSEs jointly conducted a survey of investors and dealers in their CRT programs seeking feedback on SOFR index methodology and conventions for SOFR CRT issuance and gauging market readiness for the transition.

Q5. Will the GSEs consider issuing both LIBOR-based and SOFR-indexed SF CRT deals at the same time?

Freddie Mac issued its first SOFR-based SF CRT deal in October 2020 and has ceased issuing LIBOR-based SF CRT deals. Currently, Fannie Mae plans to cease issuing LIBOR-based CRT deals once we move to use SOFR as the new benchmark. A full transition will help reduce the LIBOR exposure for both the GSEs and CRT investors and will be beneficial for the liquidity of the CRT programs.

Q6. Will Fannie Mae's CAS and Freddie Mac's STACR programs be aligned for transitioning to non-LIBOR-based issuance?

Freddie Mac issued its first SOFR-based SF CRT deal in October 2020. For new issuance SOFR-based CRT deals, Fannie Mae intends to align on (i) the selection and variant of SOFR as the benchmark index, (ii) the methodology and conventions for calculating interest, and (iii) the fallback triggers and waterfall language.

Q7. Will the GSEs consider issuing fixed-coupon SF CRT deals?

Currently we do not plan to issue fixed-coupon SF CRT deals.

Q8. What SOFR methodology/convention will be used for calculating and paying interest for Fannie Mae CAS and Freddie Mac STACR?

CAS and STACR securities will calculate the index each month using 30-day Average SOFR (published by the NY Fed) as the reference rate, with a determination date of 2 business days (2BD) prior to the beginning of the accrual period. Please see "Fannie Mae and Freddie Mac Credit Risk Transfer Index Framework" for details of the convention (including payment date, benchmark adjustment date, accrual period, day count, cap/floor, etc.). Links: <https://www.fanniemae.com/resources/file/libor/pdf/framework.pdf>
http://www.freddiemac.com/about/pdf/LIBOR_SOFRdeck_SF CRT.pdf

Q9. What does the Fannie Mae CAS and Freddie Mac STACR fallback language say?

Fallback language has evolved slightly over time, so investors should read the offering documents associated with their securities. In general, however, the GSEs have the obligation to select an alternative index once LIBOR is no longer viable or available. We must select a successor index based on general comparability and other factors.

The GSEs recently adopted new fallback language based on the ARRC recommendations; each GSE started using this new language with Fannie Mae's CAS 2020-SBT1 and Freddie Mac's STACR 2020-HQA2 offerings in March 2020.

As with all LIBOR transition topics, we are and will coordinate with FHFA.

Q10. Will the GSEs be aligned in the LIBOR transition for outstanding SF CRT deals that are LIBOR-based?

The GSEs intend to align LIBOR transition strategy and implementation for SF CRT deals.

Q11. For legacy SF CRT deals, what benchmark index will the GSEs use when LIBOR is no longer available or no longer representative?

The GSEs will continue to work with the ARRC, FHFA, and other industry partners on the transition of legacy SF CRT deals and will communicate details pertaining to them in advance to facilitate the legacy transition.

Collateral Mortgage Obligations (CMOs)

(Note that all FAQs in this section are based on use of the Fed Published Compounded SOFR Rate. Should a Term SOFR rate emerge, the FAQs will be updated accordingly.) In these FAQs, “new SOFR-indexed CMOs” and “new issue SOFR-indexed CMOs” generally refer to SOFR-indexed CMOs issued by the Enterprises beginning in July 2020).

Q1. When will new SOFR-indexed CMOs be available for issuance?

Freddie Mac and Fannie Mae began to offer new SOFR-indexed CMOs for REMIC settlements in July 2020. The GSEs will cease offering new LIBOR-indexed CMOs as of September 30, 2020. The cessation will not apply to (i) RCR/MACR exchanges, or (ii) resecuritizations of previously issued Libor-indexed certificates (whether CMO or ARM certificates) as long as such resecuritizations do not increase the exposure of Libor-indexed certificates.

Q2. What will be the determination date for Delay and Non-delay securities using the Fed Published Compounded SOFR Rate?

All SOFR-indexed 45-day, 55-day and 75-day Delay and Non-Delay securities will have a determination date of 2 business days (2BD) prior to the beginning of the accrual period.

Q3. What collateral is eligible to be included in a SOFR-indexed CMO?

For new issue SOFR-indexed CMOs, the Enterprises plan to accept all collateral that is currently acceptable for LIBOR-indexed structures at each respective Enterprise.

Q4. Will the new issue SOFR-indexed CMOs transition from Compounded SOFR to Term SOFR? Could this transition occur prior to the time LIBOR ceases or is declared to be unrepresentative?

Outstanding new-issue CMOs based on the Fed Published Compounded SOFR would transition to a Term SOFR rate if the issuing Enterprise, in its discretion, determines that a Term SOFR rate has been approved by the appropriate regulatory authority and that such rate is operationally, administratively and technically feasible. As part of the transition, the Enterprises may make changes to conventions (such as determination dates) that are appropriate for a term rate. This transition could occur prior to the time LIBOR ceases or is declared to be unrepresentative. In these FAQs, “appropriate regulatory authority” generally refers to the Federal Reserve, the Federal Reserve Bank of New York or applicable official committee (e.g., the ARRC).

In addition, once a Term SOFR rate has been approved by the appropriate regulatory authority and is operationally, administratively and technically feasible, the Enterprises would cease any further new issuance using Compounded SOFR and would utilize solely the Term SOFR rate.

The Enterprises will work together and with the Federal Reserve, Common Securitization Solutions and the industry (vendors, investors, dealers, etc.) to implement any such Term SOFR structure.

Q5. How will you treat legacy LIBOR-indexed CMOs?

We have not determined the replacement index for any legacy products if LIBOR ceases in the future. However, on May 28, 2020, we announced that we intend for certain of our legacy LIBOR-indexed CMOs that were supplemented with ARRC-recommended fallback language to be treated the same as our new issue LIBOR-indexed CMOs at LIBOR cessation (or once LIBOR is no longer representative), in that our legacy CMOs that were supplemented would also transition to Term SOFR (if approved by the appropriate regulatory authority, and if such rate is operationally, administratively and technically feasible) or, if such conditions are not met, to Compounded SOFR. For more information, see ([Fannie Mae Announcement](#)) ([Freddie Mac announcement](#))

Fannie Mae - Multifamily Adjustable-Rate Mortgages (ARMs)

Q1. Can lenders still sell LIBOR-indexed Multifamily ARMs to the GSEs?

No, under FHFA guidance, Fannie Mae is no longer accepting Multifamily ARM loans indexed to LIBOR.

All previously acquired LIBOR ARM loans must be purchased on or before December 31, 2020 as Cash Mortgage Loans or MBS Mortgage Loans with an Issue Date on or before December 1, 2020. This applies to all LIBOR ARM Loan and Structured ARM Loan plans, and also to all Hybrid ARM Loans.

Q2. Is Fannie Mae accepting delivery of Multifamily SOFR-indexed ARMs?

Yes, Fannie Mae Multifamily began quoting SOFR-indexed ARMs on September 1st, 2020.

Q3. Where can I find details related to Fannie Mae's SOFR-indexed ARM products?

Product details can be found on our Fannie Mae Multifamily [Products Page](#) or through training sessions that have been communicated through the standard channels. Additional details on the LIBOR transition can be found on the Enterprise [LIBOR Transition webpage](#).

Q4. Will the 30-day Average of SOFR be used for the Multifamily SOFR-indexed ARMs?

Yes. All Multifamily SOFR-indexed ARM products currently use the 30-day Average SOFR.

Q5. What are the Multifamily ARM subtypes and prefixes?

Details related to the Multifamily SOFR-indexed ARM subtypes and prefixes can be found in section 5.3 of Fannie Mae and Freddie Mac's externally published [LIBOR Transition Playbook](#). For ease of reference, please see the table below.

Index Type	Product	ARM Subtype	ARM Plan	Prefix			
				A/360	30/360	Supp A/360	Supp 30/360
SOFR (30-Day Compounded Avg)	SARM	85NW	0493 2	HF	MF	HW	MW
SOFR (30-Day Compounded Avg)	ARM 5/5	85MW	0493 1	HF	MF	HW	MW
SOFR (30-Day Compounded Avg)	ARM 7/6	85PW	0493 3	HF	MF	HW	MW
SOFR (30-Day Compounded Avg)	Hybrid ARM	85QW	0493 4	HC	MC	HU	MU

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Q6. Have you chosen a replacement index for Multifamily legacy ARMs?

We have not chosen a replacement index for any of our legacy LIBOR products. The GSEs are working together at the guidance of our regulator to address the replacement index.

Addressing what happens to legacy LIBOR ARMs is one of the largest remaining issues for the legislatures, regulators and the ARRC. .

Based on regulatory guidance, and informed by developments occurring during the transition period, Fannie Mae will seek fair outcomes to minimize the potential economic impact on both borrowers and investors to the extent possible. We will communicate details pertaining to legacy LIBOR products in advance to facilitate any legacy product transition.

Q7. What happens to the ongoing interest rate cap contracts for existing SARM loans?

Existing SARM loans are not affected by this announcement. The borrower’s obligation to purchase replacement interest rate caps/hedges as required by the loan documents are unaffected.

Q8. What is the current fallback language for LIBOR-based Multifamily ARM Loans?

From Form 6102.ARM: If the foregoing index is no longer posted through electronic transmission, is no longer available or, in Lender’s determination, is no longer widely accepted or has been replaced as the index for similar financial instruments (regardless of whether the index continues to be posted electronically or available), Lender will choose a new Index taking into account general comparability to the previous Index and other factors, including any adjustment factor to preserve the relative economic positions of Borrower and Lender with respect to the Mortgage Loan.

Q9. Will you create a Multifamily ARM product indexed to term SOFR? When there is a term SOFR what will happen to this product?

Fannie Mae has focused its efforts on providing ARM products tied to the 30-day Average SOFR, the rate currently published. If term SOFR becomes available, Fannie Mae will consider offering Multifamily ARMs tied to the new rate.

Fannie Mae - Multifamily Credit Risk Transfer

Q1. Will Fannie Mae adopt ARRC recommended fallback language in new issuance CRT deals?

Yes. Fannie Mae supports the ARRC recommended fallback language. Starting with our CAS 2020-SBT1 transaction in March 2020, we adopted the recommended securitization fallback language.

Q2. Is Fannie Mae planning to issue non-LIBOR based CRT deals?

Reducing LIBOR exposure for both Fannie Mae and our investors is very important to us. Fannie Mae plans to stop issuing LIBOR-based Credit Risk Transfer deals by the end of Q4 2020 and is on track to issue SOFR- based CRT deals in the future.

Q3. What benchmark index will Fannie Mae use in non-LIBOR based CRT deals?

Fannie Mae supports the ARRC's recommendation of SOFR as the replacement for LIBOR benchmark. Fannie Mae currently plans to structure SOFR-indexed CRT transactions so that they would:

- Initially use 30-day Average SOFR (published by the NY Fed) as the reference rate, with a determination date of 2 business days (2BD) prior to the beginning of the accrual period
- Subsequently transition to using an IOSCO compliant One-month Term SOFR at a later date, if the appropriate regulatory authority approves such a rate
 - This subsequent transition would be made as soon as One-month Term SOFR can be operationalized and is administratively feasible, and the transition would make use of the same Determination Date conventions mentioned for 30-day Average SOFR above.
 - A spread adjustment will not be applied when this subsequent transition to term SOFR is made.
 - This subsequent transition could occur prior to the time LIBOR ceases or is declared to be non- representative

Q4. What are the key considerations for Fannie Mae to decide when to move to SOFR-based CRT issuance?

A successful transition to SOFR-indexed CRT issuance will require the entire "ecosystem" (e.g., the Fannie Mae as the issuer, CRT investors, broker/dealers, trustees, calculation agents, rating agencies, data vendors, etc.) to be ready. Other key items include the development of the SOFR market, and the breadth and depth of the SOFR-indexed derivatives and financing market.

In June 2020, the GSEs jointly conducted a survey of investors and dealers in their CRT programs seeking feedback on SOFR index methodology and conventions for SOFR CRT issuance and gauging market readiness for the transition. Per the survey, the GSEs expect that most market participants will be ready for SOFR-indexed CRT transactions by the end of Q3 2020.

Q5. Will Fannie Mae consider issuing both LIBOR based and SOFR-based CRT deals at the same time?

Currently, Fannie Mae plans to cease issuing LIBOR-based CRT deals no later than Q4 2020. A full transition will help reduce the LIBOR exposure for both Fannie Mae and CRT investors and will be beneficial for the liquidity of the CRT programs.

Q6. Will Fannie Mae consider issuing fixed coupon CRT deals?

Currently we do not plan to issue fixed coupon CRT deals.

Q7. Will the broker/dealers be able to support SOFR based CRT primary issuance?

The willingness and ability of the broker/dealers to support SOFR-based CRT primary issuance will be critical for a successful transition. Per the dealer survey in June, the GSEs expect that the vast majority of the broker/dealers can support the transition to SOFR-based CRT issuance.

Q8. What SOFR methodology/convention will be used for calculating and paying interest for Fannie Mae CAS?

MCAS securities will calculate the index each month using 30-day Average SOFR (published by the NY Fed) as the reference rate, with a determination date of 2 business days (2BD) prior to the beginning of the accrual period. Please see “Fannie Mae and Freddie Mac Credit Risk Transfer Index Framework” for details of the convention (including payment date, benchmark adjustment date, accrual period, day count, cap/floor, etc.). Links: <https://www.fanniemae.com/resources/file/libor/pdf/framework.pdf>
http://www.freddie.mac.com/about/pdf/LIBOR_SOFRdeck_SF CRT.pdf

Q9. What does the Fannie Mae MCAS fallback language say?

Investors should read the offering documents associated with their securities. In general, however, Fannie Mae has the obligation to select an alternative index once LIBOR is no longer viable or available. We must select a successor index based on general comparability and other factors.

The GSEs recently adopted new fallback language based on the ARRC recommendations; each GSE started using this new language with Fannie Mae’s CAS 2020-SBT1 and Freddie Mac’s STACR 2020-HQA2 offerings in March 2020. No MCAS deals have been issued since this new language was introduced.

Q16. For legacy CRT deals, what benchmark index will Fannie Mae use when LIBOR is no longer available or no longer representative?

We will continue to work with the ARRC, FHFA, and other industry partners on the transition of legacy CRT deals and will communicate details pertaining to legacy CRT deals in advance to facilitate the legacy transition.

Freddie Mac - Multifamily Floating Rate Loans and Securities

Q1. When will Freddie Mac Multifamily stop purchasing LIBOR-based floating-rate loans?

December 31, 2020 will be the last day that Freddie Mac will purchase LIBOR-indexed floating-rate loans, regardless of application date

Q2. Why is Freddie Mac Multifamily using SOFR in its new floating-rate offering?

We are following the guidance from the ARRC. To better understand the ARRC's position on SOFR and how it addresses the LIBOR issues, please see the [ARRC's LIBOR transition page](#).

Q3. What resources are available to learn more about SOFR?

Please visit our [LIBOR Transition webpage](#) for information, updates and links to recommended resources.

Additionally, we encourage you to send questions to our LIBOR transition team at MFLIBOR@freddiemac.com.

Q4. When will floating-rate loans based on SOFR be available for quoting and purchase?

On September 29, 2020, we purchased the first floating-rate loan that uses an index based on SOFR. We started quoting SOFR-indexed floating rate loans on September 1, 2020, and concurrently ceased issuance of new LIBOR-indexed quotes.

Q5. Will legacy LIBOR floating rate loans use the same index as the new SOFR-indexed loans?

We have not chosen a replacement index for any of our legacy LIBOR products. The GSEs are working together at the guidance of our regulator to finalize the selection and announcement of that replacement.

Addressing what happens to legacy LIBOR floating rate loans is one of the largest remaining issues for the legislatures, regulators and the ARRC.

Based on regulatory guidance, and informed by developments occurring during the transition period, Freddie Mac will seek fair outcomes to minimize the potential economic impact on both borrowers and investors to the extent possible. We will communicate details pertaining to legacy LIBOR products in advance to facilitate any legacy product transition.

Q6. What do Optigo® lenders and other Freddie Mac servicers need to do in preparation for newly originated SOFR-indexed loans?

Our objective is to minimize impacts to established reporting and remitting practices followed by our servicing community. SOFR readiness requires servicers to assess their internal processes and systems in order to ensure timely and effective implementation of a SOFR index rate.

Q7. Is SOFR volatility a concern?

Freddie Mac and other market participants intend to use a backward-looking SOFR compounded average, which is less volatile than single-day rates. To better understand the ARRC's position on SOFR and its volatility, please see "About SOFR" on the ARRC's LIBOR transition page.

Q8. How will interest rate caps be affected by the transition to SOFR?

Third-party interest rate caps that reference a LIBOR-based index (whether now in place or purchased after the date of these FAQs) will transition to a SOFR-based index only in accordance with their governing documents and the loan documents.

As the market for third-party caps that reference a SOFR-based index continues to grow and mature, borrowers will be permitted, on a temporary basis, to purchase an initial LIBOR-based cap agreement instead of a SOFR-based cap agreement on a SOFR-based loan. These special LIBOR-based cap agreements include language that specifies the circumstances upon which the cap index will transition to SOFR. However, within the past month, two financial institutions began quoting and selling SOFR-based interest rate caps, and we expect most SOFR-based loan borrowers to purchase SOFR-indexed interest rate caps.

While Freddie Mac's requirements for interest rate caps will not change if a SOFR-based cap agreement is purchased, additional requirements will apply if the borrower elects to purchase a LIBOR-based cap. The additional requirements have been outlined in section 6.2 of the [LIBOR Transition Playbook](#).

Q9. Which SOFR index will be used for new loan and security offerings?

The initial index for our SOFR loans and securities will be the 30-day average SOFR. That index will be used for floating rate loans across all our product lines—Conventional, Targeted Affordable Housing and Small Balance Loans and will subsequently transition to a term SOFR rate endorsed by the ARRC when such transition becomes operationally, administratively, and technically feasible. Also, interest will accrue on a calendar-month basis, just as is currently done with existing LIBOR-based products.

Q10. Will Freddie Mac change the methodology for sizing floating-rate loans as part of the transition?

No, Freddie Mac's methodology for sizing floating-rate loans will not change as part of the transition.

Q11. How will SOFR-indexed loan pricing compare with LIBOR? Will loan spreads increase?

Loan pricing is evaluated routinely to ensure alignment with market conditions; therefore, any changes will be market-driven and will not be a direct result of our transition to SOFR. Of note, spread hold periods will not be affected by the transition to SOFR.

Q12. How are Optigo lenders expected to access the index?

Optigo lenders can access the [Federal Reserve Bank of New York's](#) website for published SOFR averages for 30, 90 and 180 days, as well as a SOFR index.

Q13. Do legacy Freddie Mac floating-rate securities require certificate holder consent or a vote to determine the

alternative index?

Legacy floating-rate securities do not require certificate holder consent or a vote in order to change from LIBOR to an alternative index.

Freddie Mac - Multifamily Credit Risk Transfer (MFCRT)

Q1. Will Freddie Mac Multifamily adopt ARRC recommended fallback language in new issuance multifamily credit risk transfer deals?

Currently, we have not issued, nor do we plan to issue any LIBOR-based Multifamily credit risk transfer deals. To date, our only Multifamily CRT security offerings have been called “Structured Credit Risk (SCR) Notes.” We also have another CRT offering through reinsurance form, “Multifamily Credit Insurance Pool”, which will not be covered here due to the fixed insurance premium obligation nature without any LIBOR or floating-rate component.

Q2. Is Freddie Mac Multifamily planning to issue non-LIBOR-based SCR deals?

Reducing LIBOR exposure for both Freddie Mac Multifamily and our investors is very important to us. Freddie Mac Multifamily plans to have capability of issuing non-LIBOR-based SCR deals in Q4 2020, subject to the readiness of key market participants for SOFR-indexed SCR deals and in consultation with FHFA.

Q3. Will Freddie Mac Multifamily consider issuing both LIBOR-based and SOFR-based SCR deals at the same time?

No. We have not issued LIBOR-based SCR deals and we plan to issue only SOFR-based SCR deals for any new issuance.

Q4. What benchmark index will Freddie Mac Multifamily use in non-LIBOR-based SCR deals?

Freddie Mac currently plans to structure SOFR-indexed MF CRT transactions so that they would:

- Initially use 30-day Average SOFR as the reference rate, with a determination date of 2 business days (2BD) prior to the beginning of the accrual period
- Subsequently transition to using an IOSCO compliant One-month Term SOFR at a later date, if the appropriate regulatory authority approves such a rate
 - This subsequent transition would be made as soon as One-month Term SOFR can be operationalized and is administratively feasible, and the transition would make use of the same Determination Date conventions mentioned for 30-day Average SOFR above.
 - We do not anticipate that a spread adjustment will be applied when this subsequent transition to term SOFR is made.
 - This subsequent transition could occur prior to the time LIBOR ceases or is declared to be non-representative

Q5. What are the key considerations for Freddie Mac Multifamily to decide when to move to SOFR-based SCR issuance?

A successful transition to SOFR-based SCR issuance will require the entire “ecosystem” (e.g., Freddie Mac Multifamily as the issuer, CRT investors, broker/dealers, trustees, calculation agents, rating agencies, data vendors, etc.) to be ready. Other key items include the development of the SOFR market, and the breadth and depth of the SOFR derivatives and financing market. Freddie Mac Multifamily will utilize various surveys conducted by Multifamily, Freddie Mac Corporate and Single-Family divisions on key constituents before we decide when to transition to SOFR-based SCR issuance. We will communicate the timing for starting SOFR-based SCR issuance with sufficient time for the market to prepare.

Q6. Will Freddie Mac Multifamily's SCR and Freddie Mac's STACR programs be aligned for transitioning to non-LIBOR-based issuance?

Freddie Mac Multifamily and Single-Family intend to align the move to non-LIBOR-based CRT offerings, to ensure the credit risk transfer transitions are consistent across both types of credit risk transfer offerings as well as between the GSEs.

Q7. Will Freddie Mac Multifamily consider issuing fixed coupon SCR deals?

Though our previous SCR Notes deals are fixed-coupon-based, we don't have current plans to issue additional fixed-coupon SCR deals.

Q8. Will the broker/dealers be able to support SOFR-based SCR primary issuance?

The willingness and ability of the broker/dealers to support SOFR-based SCR primary issuance will be critical for a successful transition. We will continue to engage the broker/dealers to ensure they can support SOFR-based SCR issuance capability.

Q9. Should I be concerned that SOFR-based SCR securities will become less liquid?

We expect that most broker/dealers will be able to provide a similar level of support to the general CRT secondary market when we move to SOFR, including making a two-way market in any SOFR-based CRT securities. The willingness and ability of the broker/dealer to do so will be one of the key factors for us to decide when to move to SOFR-based SCR issuance.

Q10. What happens to legacy SCR Notes deals after the LIBOR transition?

All previous Multifamily SCR Notes deals are fixed coupon based and will not be impacted by the LIBOR transition.

Summary of Prior Changes

Section	Summary of change
June 2020	
Collateralized Mortgage Obligations (“CMOs”)	<p>Q1. Updated the SOFR-indexed CMO issuance from June 2020 to July 2020;</p> <p>Q2. For both Delay and Non-delay securities, updated the determination date to be 2 Business Days (2BD) prior to the beginning of the accrual period;</p> <p>Q4. Clarified the entities referred as “appropriate regulatory authority”</p> <p>Q5. Updated language to note the May 28, 2020 announcements;</p> <p>Q6. Removed question as it is no longer applicable.</p>
July 2020	
Enterprise	<p>Q 10. Added June 11, 2020 CMO announcement and July 29, 2020 CRT announcements.</p> <p>Q 15. Updated order of the CMO and CRT announcements to reflect both chronologically.</p>
Single Family ARMs	<p>Q 3. Added link to the SF Chapter in the Playbook for easy reference.</p> <p>Q 21. Added language to clarify where the fall back language applies.</p>
SF CRT	<p>Q 3. Added language to clarify the plan to use 30-day Average SOFR (published by the NY Fed) as the reference rate, and related conventions.</p> <p>Q 4. Added reference to the joint June 2020 Survey.</p> <p>Q8, Q9, Q10. Updated language to reflect most current information based on June’s survey</p> <p>Q 15. Added a link to the 7/29/20 CRT Deck to be posted on the LIBOR transition website.</p>
Fannie Mae Multifamily ARMs	<p>Q 3. Further explains the product details</p> <p>Q 4. Added the specific date of September</p>
Fannie Mae Multifamily CRT	<p>This section now conforms to the updates made in the joint SF CRT section.</p> <p>Q3; Q12; Q13. Updated to include more product details.</p>

Section	Summary of change
Freddie Mac – Multifamily Floating Rate Loans	<p>Q4. The September 1, 2020, quote start date for SOFR-indexed loans has been included.</p> <p>Q8. Detail regarding LIBOR-based cap optionality for SOFR-indexed loans has been added, with a reference to the LIBOR Transition Playbook for additional detail.</p> <p>Q10. Now confirms that the sizing methodology for floating-rate loans will remain unchanged as part of the transition to SOFR.</p>
August 2020	
Enterprise	<p>Q8 – Changed UMBS to MBS</p> <p>Q10 – Re-organized and Re-worded response to reflect what SOFR-based transactions have been announced/issued between the two GSEs.</p> <p>Q15 – Removed reference to including ARRC Fallback language in LIBOR-based transactions.</p>
Single Family ARMs	Q24 and Q25 - Added as new questions.
Freddie Mac – Multifamily Floating Rate Loans	<p>Q4. The September 1, 2020, quote start date for SOFR-indexed loans has been included.</p> <p>Q8. Detail regarding LIBOR-based cap optionality for SOFR-indexed loans has been added, with a reference to the LIBOR Transition Playbook for additional detail.</p> <p>Q10. Now confirms that the sizing methodology for floating-rate loans will remain unchanged as part of the transition to SOFR.</p>
September 2020	
Enterprise	<p>Q10. Updated Freddie Mac delivery date of November 16 to November 9.</p> <p>Q10 and Q15 with additional content based</p>
Single-Family Adjustable-Rate Mortgages (ARMs)	<p>Q7 replaced “adjustment” with “reset”</p> <p>Q8 Q9 and Q25 Added the word mortgage before margin</p>
Fannie Mae – Multifamily Adjustable-Rate Mortgages (ARMs)	<p>Q2 Updated to include acceptance date for delivery</p> <p>Q3 Updated to reflect product offering specifics</p> <p>Q4 Replaced previous Q4 “When will Fannie Mae</p>

Section	Summary of change
	provide details about the Multifamily loan structure?” with Q4 “where can I find details related to Fannie Mae’s SOFR-indexed ARM products?”
Fannie Mae- Multifamily Credit Risk Transfer	<p>Q3 / Q4 updated answers to align with similar SF CRT FAQs</p> <p>Q7 / Q8 / Q9 Updated answers with findings from dealer survey</p> <p>Q14 Provided more detail on where GSEs will align on LIBOR transition (similar to SF CRT FAQ)</p> <p>Q15 added “what convention will be used for calculating and paying interest?”</p>
Freddie Mac Floating Rate Loans	<p>Q1 – Updated with the discontinuance of LIBOR-index loans</p> <p>Q4 – Updated to reflect the start of quoting process for SOFR-indexed ARMs on 9/1</p> <p>Q5 – Eliminated the language regarding LIBOR no longer being available or representative</p> <p>Q6 – Removed the language pertaining to assessing impacts and systems</p> <p>Q8 – Changes to make interest rate cap language present tense</p> <p>Q9 – Updated to reflect present tense language around SOFR being the replacement index</p> <p>Q11 – Updated to reflect present tense language around SOFR-based index pricing</p> <p>Q13- Removed</p> <p>Q13 -New FAQ around legacy floating rate loans and certificate holder consent on replacement index</p>
Freddie Mac – Multifamily Credit Risk Transfer	Q4 – Updated the Benchmark Index with current state language
October 2020	
Enterprise	<p>Q9. Updated the definition of legacy LIBOR to include only outstanding floating-rate products and do not include ARRC-recommended fallback language.</p> <p>Q11. Added a statement that notes that LIBOR</p>

Section	Summary of change
	products that include ARRC-recommended fallback language will transition to SOFR pursuant to their terms.
Single Family Adjustable Rate Mortgages (ARMs)	Q14. Updated language to reflect that Loan Product Advisor is now available as of 10/1/2020 for underwriting of SOFR-based ARMs.
Single-Family Credit Risk Transfer (SF CRT)	Q18. Updated language to note the GSE's coordination with ARRC, FHFA and other industry partners on the transition of legacy SF CRT deals.
Collateral Mortgage Obligations (CMOs)	Q5. Updated the language on replacement index for legacy products and intentions for LIBOR-indexed CMOs.
Fannie Mae-Multifamily Credit Risk Transfer	Q14. Updated replacement index determination for outstanding CRT deals. Q16. Updated language to reflect continued work on transition of legacy CRT deals.
Fannie Mae – Multifamily ARM	Q1. Updated answer to say no longer accepting LIBOR-indexed MF ARMs Q2. Updated question “when is Fannie Mae offering SOFR...?” to “Is Fannie Mae...?” and updated the answer accordingly. Deleted previous Q3. “How will Fannie Mae meet the market demand for Multifamily ARM executions after the final application date for LIBOR-based ARMs at the end of Q3 2020?”
Freddie Mac-Multifamily Floating Rate Loans and Securities	Q5. Updated language regarding replacement index for legacy LIBOR products and addressing legacy LIBOR floating rate loans next steps.
Freddie Mac Multifamily Credit Risk Transfer	Q3. Updated language to issue only SOFR-based SCR deals for new issuances. Q5 Replaced ‘announce’ with ‘communicate’