



December 13, 2021

## Replacement of 11th District COFI Index for MBS Securities

The Federal Home Loan Bank of San Francisco will cease publication of the 11th District Monthly Weighted Average Cost of Funds Index (COFI) after the Federal Home Loan Bank of San Francisco's (FHLB SF) final publication of the December 2021 COFI on January 31, 2022. As a result, Freddie Mac announced earlier this year that it will transition to a new replacement index for COFI to be administered by Freddie Mac. For Single-Family PCs and Giants, this new index, called the Enterprise 11th District COFI Replacement Index, will be based on the Federal Cost of Funds Index currently published by Freddie Mac, with a spread adjustment and a one-year transition period. For Multifamily and Freddie Mac CMOs, this new index, called the Enterprise 11th District COFI Institutional Replacement Index, will be based on the Federal Cost of Funds Index currently published by Freddie Mac, with a spread adjustment. There will be no one-year transition period for Multifamily and Freddie Mac CMOs. This replacement of COFI will affect legacy transactions only. Freddie Mac no longer purchases COFI-indexed ARMs.

To learn more about the COFI transition, please visit the Freddie Mac [Reference Rates Transition](#) web page, which includes a COFI Playbook, COFI FAQs and other relevant details. The transition date of each legacy COFI-indexed ARM loan will depend on the characteristics of the loan, such as the next interest rate reset date and loan interest rate lookback period. Also, the GSEs have required their Single-Family COFI ARM servicers to identify loans closed on non-standard documents that include variations in selecting a replacement index or in calculating the margin after COFI has been retired. For Freddie Mac, all legacy COFI ARM loans will be transitioned to the Enterprise 11th District COFI Replacement Index as discussed above; however, there are loans that will be disclosed with an adjusted margin upon replacement of the index.

### Single-Family ARM PCs and Giants

For Single-Family ARM PCs and Giants, as detailed in the Freddie Mac [disclosure guide](#), we disclose the Index as an enumeration/code at the loan level (ID L-046) and at the security level (ID S-51). The index description for each code is described in Appendix A of the disclosure guide. For 11th District COFI, the enumeration/code is 21 with an index description of 'COFI\_1MO\_11THDIST'. In mid-February 2022, Freddie Mac, in conjunction with Fannie Mae and under the guidance of FHFA, will update the index description for index code 21 to 'Enterprise 11th District COFI Replacement Index'.

Index description for code 21:

- Existing description: COFI\_1MO\_11THDIST
- Updated description: Enterprise 11th District COFI Replacement Index

Additionally, Freddie Mac will update the descriptions for the following security prefixes specific to COFI in mid-February 2022.



75-Day Prefix	75-Day Pool Number Range	75-Day Product Type	75-Day Pool Type	75-Day Pool Term	75-Day Product Description (Existing)	75-Day Product Description (Updated)
39	390001-399999	ARM	PC	30 Year	Monthly 11th District Cost of Funds, Payment Capped	Monthly Enterprise 11th District COFI Replacement Index, Payment Capped
42	420001-429999	ARM	PC	30 Year	Monthly 11th District Cost of Funds, Payment Capped	Monthly Enterprise 11th District COFI Replacement Index, Payment Capped
77	770001-779999	ARM	PC	30 Year	Annual or Semi Annual 11th District Cost of Funds, Various Caps	Annual or Semi Annual Enterprise 11th District COFI Replacement Index, Various Caps

### Freddie Mac Single-Family CMOs

The fallback language in the Freddie Mac COFI-indexed CMO offering documents indicates that, if FHLB SF fails to publish COFI for a period of 65 days and does not publish or designate a replacement index, then Freddie Mac is required to select an index that performs in a manner substantially similar to COFI. Freddie Mac has selected the Enterprise 11th District COFI Institutional Replacement Index as the replacement index for CMOs once COFI is no longer available.

For Single-Family CMOs, COFI indices are disclosed in three monthly disclosure files:

- 1) 55-Day Floater Indices (DRYYMM)
- 2) REMIC Floater Indices (IDYYMM)
- 3) REMIC Non-Delay Indices (IRYYMM)

For Single-Family CMOs, the current index description is ‘11th District Cost of Funds Index’ or ‘11th District Cost of Funds Index Delay’ (for delay indices). Effective February 28, 2022, this description will be updated to ‘Enterprise 11th District COFI Institutional Replacement Index’ or ‘Enterprise 11th District COFI Institutional Replacement Index Delay’, respectively, and any files after that date will reflect the updated index description.

### Multifamily PCs

Freddie Mac no longer issues nor has any outstanding Multifamily PCs backed by COFI-indexed ARMs.

For questions, please contact Freddie Mac Investor Inquiry at [investor\\_inquiry@freddiemac.com](mailto:investor_inquiry@freddiemac.com).

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