LIBOR Transition FAQs

Freddie Mac Multifamily Floating-Rate Loans and Securities and Freddie Mac Multifamily Credit Risk Transfer (MFCRT)

Under the guidance of FHFA, Fannie Mae and Freddie Mac are providing jointly prepared answers to frequently asked questions related to the GSEs' respective transitions 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/MBS, Credit Risk Transfer transactions, Multifamily adjustable-rate mortgages and securities, Credit Risk Transfer transactions, and Collateralized Mortgage Obligations.*

Please be aware that the federal Adjustable Interest Rate (LIBOR) Act (LIBOR ACT) became law on March 15, 2022. As required by the Act, the Board of Governors of the Federal Reserve System (Federal Reserve Board) published regulations identifying benchmark replacement rates based on SOFR on December 16, 2022. The regulations published by the Federal Reserve Board were used as guidance for the answers provided by Fannie Mae and Freddie Mac in this document.

Freddie Mac - Multifamily Floating Rate-Loans and Securities

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

Effective January 1, 2021, Freddie Mac stopped purchasing LIBOR-indexed floating-rate loans.

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 did floating-rate loans based on SOFR become 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. For legacy MF LIBOR loans, what benchmark index will the GSEs use when LIBOR is no longer available or no longer representative?

The Federal Reserve Board implemented the Adjustable Interest Rate (LIBOR) Act which was signed into law in March 2022. The final regulations on the replacement rates were announced by the Federal Reserve Board on December 16, 2022. Consistent with the Federal Reserve Board's regulations, the GSEs will transition to the 30-day Average SOFR rate published by the Federal Reserve Bank of New York, plus an applicable tenor spread adjustment. The transition will occur immediately following the June 30, 2023, cessation of the publication of all remaining tenors of USD LIBOR by ICE Benchmark Administration Limited. Refer to the table in Q12 of the Enterprise section for more details.

Q6. A borrower would like to switch from LIBOR to 30-day Average SOFR prior to June 30. Is that permitted?

Floating-rate notes that are indexed to LIBOR and are part of the underlying collateral for Freddie Mac securities will need to wait until LIBOR ceases after June 30, 2023 to make the transition.

Q7. 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.

Q8. Is SOFR volatility a concern?

Freddie Mac and other market participants currently use a backward-looking SOFR compounded average for many of their products 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.

Q9. 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, with respect to replacement or renewal caps, 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 of January 15, 2021, floating-rate loan borrowers are no longer permitted to purchase initial LIBOR-based cap agreements. Instead, only SOFR-based cap agreements are permitted.

Q10. Which SOFR index will be used for new loan and security offerings?

The 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. Also, interest will accrue on a calendar-month basis, just as is currently done with existing LIBOR-based products.

Q11. 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.

Q12. 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.

Q13. How are Optigo lenders expected to access the index?

Optigo lenders can access the New York Fed's website for published SOFR averages for 30, 90 and 180 days, as well as a SOFR index.

Q14. 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.

Q15. How is the interest rate for a legacy LIBOR multifamily loan and each interest period calculated?

The interest rate calculation method set forth in the related Multifamily Note must be followed. In most cases, the Multifamily Notes provide that the variable interest rate calculated for each interest period is equal to the Index

Rate for such interest period plus the Margin. The Index Rate for a legacy LIBOR loan is equal to the sum of the applicable LIBOR replacement index (the 30-day Average SOFR rate) plus the applicable spread adjustment. Both of those values are published to the 5th decimal place. That method of determining the Index Rate is consistent with the ARRC approach. Any rounding convention to be applied should be determined pursuant to the terms of the Multifamily Note or otherwise be consistent with Freddie Mac servicing practices.

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 “Multifamily Structured Credit Risk (SCR or MSCR) 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. In January 2021, Freddie Mac Multifamily successfully completed its first SOFR-based issuance (MSCR 2021-MN1) with broad support from a large number of key CRT market participants.

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 has structured and plans to continue to structure SOFR-indexed MF CRT transactions so that they 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.

Q5. 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.

Q6. Will Freddie Mac Multifamily consider issuing fixed coupon SCR deals?

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

Q7. 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.

Q8. What happens to legacy SCR Notes deals after the LIBOR transition?

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

Summary of Prior Changes

Section	Summary of change
July 2020	
Freddie Mac – Multifamily Floating Rate Loans	Q4. The September 1, 2020, quote start date for SOFR-indexed loans has been included. 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. Q10. Now confirms that the sizing methodology for floating-rate loans will remain unchanged as part of the transition to SOFR.
August 2020	
Freddie Mac – Multifamily Floating Rate Loans	Q4. The September 1, 2020, quote start date for SOFR-indexed loans has been included. 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. Q10. Now confirms that the sizing methodology for floating-rate loans will remain unchanged as part of the transition to SOFR.
September 2020	
Freddie Mac Floating Rate Loans	Q1. Updated with the discontinuance of LIBOR-index loans Q4. Updated to reflect the start of quoting process for SOFR-indexed ARMs on 9/1 Q5. Eliminated the language regarding LIBOR no longer being available or representative Q6. Removed the language pertaining to assessing impacts and systems Q8. Changes to make interest rate cap language present tense Q9. Updated to reflect present tense language around SOFR being the replacement index Q11. Updated to reflect present tense language around SOFR-based index pricing Q13. Removed Q13. New FAQ around legacy floating rate loans and certificate holder consent on replacement index
Freddie Mac – Multifamily Credit Risk Transfer	Q4. Updated the Benchmark Index with current state language
October 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.

Section	Summary of change
Freddie Mac Multifamily Credit Risk Transfer	Q3. Updated language to issue only SOFR-based SCR deals for new issuances. Q5. Replaced ‘announce’ with ‘communicate’
December 2020	
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
April 2021	
Multifamily Floating Rate Loans and Securities	Q1. Updated to reflect we no longer buy LIBOR loans Q8. Revised to address termination of LIBOR Cap option
MF CRT	Q2, 4 & 9: updated related to timing, etc. Deleted original Q5 & Q8. Q14: New question related to the March 5th IBA Announcement
October 2021	
Freddie Mac Multifamily Floating Rate Loans & Securities	Q.9 Removed Term SOFR reference until transition to Term SOFR has been made definitively.
Freddie Mac Multifamily Credit Risk Transfer	Q.4 Updated to match the same response used in Q3 of SF CRT.
June 2022	
Freddie Mac Multifamily Floating Rate Loans & Securities	Q14 (from prior publication). Deleted, as the question is now outdated.
Freddie Mac Multifamily Credit Risk Transfer	No significant changes.
January 2023	
Freddie Mac Multifamily Floating Rate Loans & Securities	Q5. Updated to state the GSEs' legacy LIBOR replacement rate selections for MF floating rate loans and securities.
Freddie Mac Multifamily Credit Risk Transfer	Q4. Updated language regarding the structuring of Freddie Mac’s SOFR-indexed MF CRT transactions.
April 2023	
Freddie Mac Multifamily Floating Rate Loans & Securities	Q6. FAQ added: “A borrower would like to switch from LIBOR to 30-day Average SOFR prior to June 30. Is that permitted?”
Freddie Mac Multifamily Credit Risk Transfer	No significant updates.
June 2023	
Freddie Mac Multifamily Floating Rate Loans & Securities	Q15. FAQ Added: How is the interest rate for a legacy LIBOR multifamily loan and each interest period calculated?