This announcement does not constitute an offer to sell or the solicitation of an offer to buy securities of Fannie Mae or Freddie Mac. Nothing in this announcement constitutes advice on the merits of buying or selling a particular investment. Any investment decision as to any purchase of securities referred to herein must be made solely on the basis of information contained in Fannie Mae's or Freddie Mac's applicable Prospectus and the Prospectus Supplement and the related legal documentation, and no reliance may be placed on the completeness or accuracy of the information contained in this announcement.

You should not deal in securities unless you understand their nature and the extent of your exposure to risk. You should be satisfied that they are suitable for you in light of your circumstances and financial position. If you are in any doubt you should consult an appropriately qualified financial advisor.
The Alternative Reference Rates Committee (ARRC) endorsed the Secured Overnight Financing Rate (SOFR) as its recommended alternative rate to LIBOR in anticipation of the potential cessation of LIBOR that may occur as soon as the end of 2021.

New Issuance CRT: SOFR Method/Conventions

For new issuance CRT transactions (Freddie Mac, Q4 2020; Fannie Mae, Q1 2021, pending market conditions), Fannie Mae and Freddie Mac (jointly, “the Enterprises”) intend to:

• Initially use a 30-day Average SOFR (compound average of SOFR, published by the NY Fed) as the reference rate, per market feedback (see slide 3 for more information)

• Subsequently transition to using an IOSCO compliant forward-looking One-month Term SOFR (see slide 4 for more information) at a later date, if the appropriate regulatory authority approves such a rate, and as soon as the One-month Term SOFR rate can be operationalized.

  • Such transition would include all previously issued SOFR-indexed CRT deals (with no anticipated spread adjustment) and any new issuance going forward

• Align CRT SOFR method/conventions for both Compounded SOFR and Term SOFR (if/when available)
30-day Average SOFR

Setting In Advance: SOFR rate determined two business days **prior to** the start of Accrual Period

- **Legend**
  - **Rate Aligns with Accrual Period**
  - **Rate Does Not Align with Accrual Period**

Directly use 30-day Average SOFR rate*, determined prior to the start of the accrual period

- SOFR rate is known in advance and used for both daily and monthly accruals
  - No impact on secondary trade settlement

- SOFR determination date aligns with current CRT convention for LIBOR determination

- Conversion to Term SOFR, if/when available, requires minimal change operationally

Same SOFR method as used by agency CMOs and Freddie MF K-series

- SOFR rate is not aligned with the accrual period, potentially resulting in basis risk when financing/hedging is used

- Could be “stuck” with this misalignment of the index to the accrual period if Term SOFR never becomes available or is significantly delayed

Bloomberg ticker: SOFR30A Index
Term SOFR

If/when available

- The Enterprises intend to solely use Term SOFR (if/when available) for CRT issuances
- Existing transactions indexed to 30-day Average SOFR will be converted to Term SOFR (with no anticipated spread adjustment)
- Term SOFR methodology will be similar to that of LIBOR today (see below)
## SOFR CRT Conventions

<table>
<thead>
<tr>
<th><strong>Payment Date</strong></th>
<th>25th day of each month (or the following business day (BD))</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Benchmark</strong></td>
<td>30-day Average SOFR (published by the NY Fed)</td>
</tr>
<tr>
<td></td>
<td>Transition to 1-month Term SOFR if/when available</td>
</tr>
<tr>
<td><strong>Benchmark Adjustment Date</strong></td>
<td>2 BDs prior to start of Accrual Period</td>
</tr>
<tr>
<td></td>
<td>Same for 30-day Average SOFR and Term SOFR (no change in Benchmark Adjustment Date)</td>
</tr>
<tr>
<td><strong>Benchmark Adjustment Time</strong></td>
<td>3pm (ET)</td>
</tr>
<tr>
<td><strong>Accrual Period</strong></td>
<td>Beginning on and including the prior Payment Date, ending on and including the day preceding such Payment Date</td>
</tr>
<tr>
<td><strong>Day Counts in Accrual Period</strong></td>
<td># of calendar days in Accrual Period</td>
</tr>
<tr>
<td><strong>Designated page</strong></td>
<td>NY Fed, 30-day Average SOFR, <a href="https://apps.newyorkfed.org/markets/autorates/sofr-avg-ind">https://apps.newyorkfed.org/markets/autorates/sofr-avg-ind</a></td>
</tr>
<tr>
<td></td>
<td>Bloomberg tickers: SOFR30A Index</td>
</tr>
<tr>
<td><strong>Day Count Convention</strong></td>
<td>Actual/360</td>
</tr>
<tr>
<td><strong>Benchmark Floored (Y/N)</strong></td>
<td>N</td>
</tr>
<tr>
<td><strong>Interest Rate Cap</strong></td>
<td>Not Capped</td>
</tr>
<tr>
<td><strong>Negative Interest Rates</strong></td>
<td>Coupon is floored at zero; benchmark is not floored</td>
</tr>
</tbody>
</table>
### Key Contacts

<table>
<thead>
<tr>
<th>Task Force</th>
<th>Fixed Income Marketing</th>
<th>Website and Resources</th>
</tr>
</thead>
</table>
| **Christian Valencia**  
_Freddie Mac, Vice President, CRT_  
Christian_Valencia@freddiemac.com  
(571) 382-3727  
**Wei Wang**  
_Freddie Mac, Associate Director, CRT_  
wei_wang@freddiemac.com  
(571) 382-3606  | **Freddie Mac, CRT Marketing**  
_Fixed_Income_Marketing@freddiemac.com_  
**Sonya Sheth**, Fixed Income Marketing, Manager  
sonya_m_sheth@freddiemac.com  | **Fannie Mae Investor Marketing**  
credit_securities@fanniemae.com  
(800) 232-6643 Option 3  |
| **Thomas Jones**  
_Fannie Mae, Capital Markets Specialist, CRT_  
thomas_jones@fanniemae.com  
(202) 752-6085  |  |  |

---

**CRT.FreddieMac.com | FannieMae.com/SFCRT**