LIBOR Transition FAQs – Collateral Mortgage Obligations

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 will begin to offer new SOFR-indexed CMOs for REMIC settlements beginning in July 2020. The GSEs will cease offering new LIBOR-indexed CMOs as of September 30, 2020. The Enterprises will continue to issue new resecuritizations of LIBOR-indexed CMOs (also known as "ReREMICs"), provided that such resecuritizations do not increase the total unpaid principal balance of the LIBOR indexed CMOs outstanding.

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?**

On May 28, 2020, we announced that we intend for our legacy LIBOR-indexed CMOs to be treated the same as our new issue LIBOR-indexed CMOs at LIBOR cessation (or once LIBOR is no longer representative), in that the legacy LIBOR-indexed CMOs 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)