Freddie Mac – Multifamily Floating Rate Loans and Securities
Freddie Mac – Multifamily Credit Risk Transfer
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.

Summary of Changes

The table below details the list of changes since the April 2021 version of the FAQs published on the Fannie Mae and Freddie Mac websites.

Section	Summary of change
October 2021	
Freddie Mac Multifamily Floating Rate Loans and Securities	Q.9 Removed Term SOFR reference until transition to Term SOFR has been made definitively.
Freddie Mac Multifamily Credit Risk Transfer (MFCRT)	Q.4 Updated to match the same response used in Q3 of SF CRT.

Freddie Mac - Multifamily Floating Rate Loans and Securities

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

Effective January 1, 2021, Freddie Mac is no longer 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 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, 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.

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. 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.

Q14. **Was Freddie Mac Multifamily required to notify lenders, borrowers, servicers or investors of the LIBOR events announced on March 5, 2021?**

Freddie Mac has determined, in our sole discretion, that the LIBOR events announced on March 5 did not trigger a LIBOR cessation event under the terms of the applicable multifamily LIBOR floating rate loans and offering documents, and therefore did not require that notice of the March 5 events be sent to lenders, borrowers, servicers or investors. That result may differ from the result that may have occurred for certain loans and derivatives containing a different version of LIBOR fallback language.

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. 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 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 and if the ARRC recommends that the use of such a rate is appropriate for securities such as MF CRT securities
  - This subsequent transition would be made when 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. **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 are 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 are 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 and Securities	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 and Securities	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 and Securities	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

Section	Summary of change
	Q13 -New FAQ around legacy floating rate loans and certificate holder consent on replacement index
Freddie Mac – Multifamily Credit Risk Transfer (MFCRT)	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.
Freddie Mac MFCRT	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 MFCRT	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
Freddie Mac MFCRT	Q2, 4 & 9 updated related to timing, etc. Deleted original Q5 & Q8. Q14: New question related to the March 5th IBA Announcement