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.

Contents

Summary of Changes

The table below details the list of changes since the June 2020 version of the FAQs published on the Fannie Mae and Freddie Mac websites.

Section	Summary of change
	August 2020
Enterprise	Q8 – Changed UMBS to MBS Q10 – Re-organized and Re-worded response to reflect what SOFR-based transactions have been announced/issued between the two GSEs. Q15 – Removed reference to including ARRC Fallback language in LIBOR-based transactions.
Single Family ARMs	Q24 and Q25 - Added as new questions.

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.

Enterprise

Q1. **Why is there a need for an alternative to LIBOR?**

LIBOR is an average rate derived from global banks submitting estimates of what it would cost them to secure funding on an unsecured basis for a number of tenors (periods) ranging from overnight to one year. The nature of inter-bank lending has shifted over time from unsecured to secured lending. Accordingly, panel banks submitting their quotes to the LIBOR administrators have fewer unsecured transactions on which to base their submissions, and therefore must base their submissions more on expert judgement making LIBOR a less reliable indicator of economic activity.

In 2017 Andrew Bailey, the Chief Executive of the U.K.'s Financial Conduct Authority (FCA), stated that FCA would no longer require banks to make LIBOR submissions after 2021. This means that the continued existence of the index will depend on whether or not banks voluntarily choose to submit, making it a very real possibility that the index will stop being produced altogether.

While the precise volume of transactions in markets underlying LIBOR is unknown, estimates show that on a typical day, the volume of three-month wholesale funding transactions by major global banks was about $500 million.

LIBOR serves as the principal reference rate for a wide variety of products, representing a USD $200 trillion global market. Cessation of LIBOR without an alternative reference rate would leave the market without an underlying rate. Given the large number of transactions and dollar volumes that are underpinned by LIBOR, this will cause significant market disruption.

Q2. **When is LIBOR going away?**

The Intercontinental Exchange (ICE) is the benchmark administrator for LIBOR and publishes LIBOR indexes daily based on quoted rates provided by member panel banks. In 2017, Andrew Bailey, the Chief Executive of the United Kingdom's Financial Conduct Authority (FCA) announced that the FCA will no longer persuade or compel member panel banks to make LIBOR quote submissions after 2021. He has also indicated that market participants should expect LIBOR to be subsequently discontinued, or at least to no longer be deemed representative of market interest rates and should proceed expeditiously with preparations for transitioning to an alternative reference interest rate. U.S. regulators have made similar statements. As a result, market participants are best served to prepare for the future based on the assumption that LIBOR will be discontinued as a benchmark interest rate after 2021.

Q3. **What is SOFR?**

The Secured Overnight Financing Rate (SOFR), is based on actual transactions in the U.S. Treasury repurchase (repo) market, one of the largest markets in the world. This is the market where borrowers can sell their U.S. Treasury bond assets to investors with a promise to repurchase them the following day, thus effectively creating an overnight loan where the collateral is U.S. Treasury bond assets.

SOFR is the preferred alternate reference rate for U.S. dollar-denominated LIBOR contracts, as selected by the Alternative Reference Rates Committee (ARRC) (see Q.6 below for a description of the ARRC), because SOFR is based on actual transactions in a market where extensive trading happens every day. In contrast, LIBOR is based on estimates of interbank borrowing rates in the London market provided by global banks that agree to serve as LIBOR panel banks.

The Federal Reserve Bank of New York (New York Fed) began publishing SOFR in April 2018 as part of an effort to replace LIBOR. SOFR complies with the governance standards of the International Organization of Securities Commissions (IOSCO).

For information on SOFR and how the SOFR daily benchmark rate is determined and published by the Federal Reserve click here.

Q4. **How is SOFR different than LIBOR?**

The transaction volumes underlying SOFR are far larger than the transactions in any other U.S. money market and dwarf the volumes underlying LIBOR. SOFR is a representation of general funding conditions in the overnight Treasury repo market. As such, SOFR reflects the economic cost of lending and borrowing relevant to the wide array of market participants active in the Treasury repo market.

The ARRC believes that SOFR is the most appropriate reference rate for wide-spread and long-term adoption because, among other reasons, it:

- Is IOSCO compliant;
- Is fully transaction-based;
- Encompasses a robust underlying repo market with more than $1 trillion in daily transactions;
- Is an overnight nearly risk-free reference rate that correlates closely with other money market rates; and
- Covers multiple repo market segments allowing for future market evolution.

Q5. **Where is SOFR published?**

The New York Fed, as administrator of SOFR and in cooperation with the Treasury Department's Office of Financial Research publishes the 30-, 90-, and 180-day SOFR compound averages ("30-day Average SOFR", "90-day Average SOFR", "180-day Average SOFR") as well as an overnight SOFR index. These indices are available here.

Potential users of the SOFR Averages and Index can subscribe here to receive alerts and updates from the New York Fed.

Q6. **What is the Alternative Reference Rates Committee (ARRC)?**

The ARRC is a group of private-market participants convened by the Board of Governors of the Federal Reserve System and the New York Fed to help ensure a successful transition from USD LIBOR to a more robust reference rate, its recommended alternative, SOFR. The ARRC is comprised of a diverse set of private-sector entities, including trade associations, each with an important presence in markets affected by USD LIBOR, and a wide array of official-sector entities, including banking and financial sector regulators, as non-voting ex-officio members. Both Fannie Mae and Freddie Mac are members of the ARRC and participate in many of its working groups. FHFA, the conservator and regulator of Fannie Mae and Freddie Mac, is a non-voting ex-officio member of the ARRC.

For more information on the ARRC, visit their website here.

Q7. **How are the GSEs preparing for the LIBOR transition internally?**

Both GSEs have program offices focused solely on the LIBOR transition that coordinate across all products, business areas and functions within the Enterprises as well as with customers and vendors. There are also individual workstreams responsible for implementing LIBOR transition across the various products.

The GSEs are also both members of the ARRC and participate in many of its working groups.

Q8. **What GSE products are affected?**

Any floating-rate product currently referencing LIBOR is affected, including: Single-Family ARMs and PCs/MBS, Multifamily ARMs and Securities, Single-Family CAS (for Fannie Mae) and Single-Family STACR (for Freddie Mac), Multifamily CRT, Collateralized Mortgage Obligations (CMOs), early funding, Structured Transactions, floating-rate debt, and derivatives. We are evaluating each product independently and are making decisions that are appropriate for that product to enable the transition from LIBOR.

Q9. **What is a legacy LIBOR product?**

Legacy LIBOR products are any floating-rate products that currently reference LIBOR and have already been executed or issued. These mortgages, transactions, securities, etc. will also be transitioned to a new index to address the cessation of LIBOR.

Q10. **Have the GSEs selected SOFR as the replacement index for *new* floating rate products?**

We support the ARRC's recommendation to replace LIBOR with a new index based on SOFR. The GSEs have already issued some new floating rate products indexed by SOFR

Both GSEs regularly issue SOFR linked corporate debt securities; Fannie Mae issued the market's first ever SOFR debt issuance in June 2018 and Freddie Mac has issued corporate debt since November 2018. The GSEs have made the below plans regarding future SOFR-indexed products. Please see the Fannie Mae (https://www.fanniemae.com/portal/funding-the-market/libor/libor-transition.html) and Freddie MaC LIBOR Transition websites (http://www.freddiemac.com/about/libor-transition.html) for all announcements that have been made, including additional details on each product's launch.

- Single-Family and Multifamily Adjustable Rate Mortgages (ARMs):
    - Beginning August 3, 2020, Fannie Mae began accepting deliveries of Single-Family ARM loans indexed to SOFR and began issuing SOFR-based MBS. Freddie Mac will begin accepting deliveries of Single-Family ARM loans indexed to SOFR as of November 16, 2020.
    - Fannie Mae expects to launch the Multifamily SOFR ARM products on September 1, 2020 and accept delivery beginning October 1, 2020.
    - The GSEs will no longer acquire Single-Family or Multifamily ARMs indexed to LIBOR by the end of 2020.
- Single-Family and Multifamily Credit Risk Transfer (CRT):
    - Subject to market conditions: Fannie Mae expects to begin issuing Single-Family SOFR-based CAS products in the first quarter of 2021 and Multifamily SOFR-based CAS products no earlier than the first quarter of 2021; Freddie Mac intends to issue SOFR-based STACR securities beginning in the fourth quarter of 2020.
    - The GSEs will cease issuing LIBOR-indexed Single-Family and Multifamily CRT products by the end of the fourth quarter of 2020.
- Collateralized Mortgage Obligations (CMOs) (i.e., REMICs and Strips):

    - The GSEs began offering SOFR-indexed CMOs beginning July 2020
    - The GSEs will cease issuing new LIBOR-indexed CMOs no later than September 30, 2020
- Freddie Mac began issuing Multifamily K-Deals indexed to SOFR as of December 2019

For all other products, we are evaluating those products independently and are making transition decisions appropriate for each product. We will provide additional updates to the market when appropriate.

Q11. **Have the GSEs chosen SOFR as the replacement index for *legacy* LIBOR products?**

We have not determined the replacement index for any legacy products if LIBOR ceases in the future. Addressing what happens to legacy products is one of the largest remaining issues for market participants, legislatures, and regulators.

We will continue to work with the ARRC, FHFA, and other industry partners on the transition of legacy LIBOR products and will communicate details pertaining to legacy LIBOR products in advance to facilitate any legacy product transition.

Q12. **Why are the GSEs not waiting for a term SOFR to be developed?**

It is uncertain whether a term SOFR rate will be available before the time LIBOR is no longer available. Given that uncertainty, the GSEs are actively working on transitioning new purchases, securitizations and transactions using currently-available SOFR rates.

Q13. **What is a term SOFR?**

Term SOFR is a forward-looking rate derived from swaps and futures transactions in commodity markets where speculators and hedgers buy and sell contracts based on their forward-looking expectations of future interest rate movements based on various terms or tenors (i.e., 1-month, 3-month, 6-month or 12-month).

Q14. **What is fallback language?**

The fallback language provides direction on the selection of the replacement index if certain events occur with respect to the currently utilized index. The ARRC's recommended contract language is meant to provide greater clarity to parties involved in financial transactions on when and how a replacement index will be chosen.

Q15. **What are the GSEs doing regarding fallback language?**

In many cases, the legal documents specify that the respective GSE choose a comparable alternative rate should the prevailing reference rate cease to exist. We understand that even with such language, the choice of an alternative reference rate is a complex topic.

The ARRC has recommended and each GSE has implemented new fallback language to provide enhanced clarity regarding the circumstances when a reference rate will be changed, and the replacement rate and spread adjustment that will be applied to that replacement rate to minimize the expected value transfer when moving to the new rate. The ARRC recommended fallback language is intended to provide greater clarity concerning when and how a replacement index for newly originated instruments will be chosen in the event the current index is no longer available or representative.

For SF ARMs, the GSEs endorsed using the ARRC's recommended Fallback Language in their respective 11/15/2019 announcements (Fannie Mae Link) (Freddie Mac Link). Since then, the GSEs announced on 2/5/2020 revised LIBOR and CMT Uniform Instruments with the ARRC recommended Fallback language (Fannie Mae Lender Letter LL-2020-01) (Freddie Mac Bulletin 2020-1) and on 4/1/2020 the SOFR-indexed ARM Uniform Instrument (Fannie Mae Selling Guide Announcement SEL-2020-02) (Freddie Mac Bulletin 2020-9).

The GSEs adopted ARRC recommended Fallback language in their CRT deals beginning with Fannie Mae's CAS 2020-SBT1 and Freddie Mac's CRT deals beginning with STACR 2020-HQA2, both issued in March 2020.

On 5/28/2020, the GSEs posted supplement/amendments to the governing legal documents of certain of their legacy LIBOR-indexed CMOs with new provisions modelled on language endorsed by the ARRC (Fannie Mae's supplement posting) (Freddie Mac's amendment postings).

Single-Family Adjustable-Rate Mortgages (ARMs)

Q1. **Is there an impact to Uniform Mortgage-Backed Securities (UMBS)?**

No. UMBS are backed only by fixed-rate loans.

Q2. **Can lenders still sell LIBOR-indexed Single-Family ARMs to the GSEs?**

Yes, however, under FHFA guidance, the GSEs will no longer acquire LIBOR ARM loans by the end of 2020.

To be eligible for delivery to the GSEs, all LIBOR-indexed ARMs must have loan application dates on or before September 30, 2020. In addition, all LIBOR-indexed ARMs with application dates on or prior to September 30, 2020 must be purchased as whole loans on or before December 31, 2020, or in MBS pools with issue date on or before December 1, 2020.[1]

Q3. **What are the Single-Family SOFR ARM subtypes and prefixes?**

The Single-Family SOFR ARM prefixes were communicated in Fannie Mae Lender Letter LL-2020-01[2] and Freddie Mac Bulletin 2020-9. In addition, the Fannie Mae Prefix Glossary, the Fannie Mae ARM MBS Subtypes, and the Freddie Mac Prefix Library (for Freddie Mac 75-day prefixes) have been updated. Please see the subtypes and prefixes on p.19 of the SF Chapter in the Playbook (Playbook)

Q4. **What SOFR rate will be used and where is the rate available for Single-Family SOFR-indexed ARMs?**

The GSEs will use the 30-day compounded SOFR average which the New York Fed began publishing on March 2, 2020 on its website.

Q5. **Why are the reset periods pegged at six months instead of traditional one-year reset?**

With the shift to using a 30-day average of SOFR, the ARRC white paper discusses how a 6-month reset would help mitigate the potential mismatch between the loan rate set in advance based on historical averages of SOFR relative to future changes in market interest rates.

Historical data indicates that an average of the overnight rate with a 6-month adjustment period does much better at matching subsequent movements in interest rates than LIBOR with an annual adjustment period.

Q6. **Since the periodic reset period is six months, does this imply that there will be a 6-month term SOFR?**

For the new SOFR-indexed ARM product, the index is the 30-day compounded average of SOFR and the rate reset period is six months. The six-month rate reset period is unrelated to whether or not a Single-Family ARM product indexed to term SOFR will eventually be developed. See Enterprise FAQ #12.

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[1] For Fannie Mae these policies apply to all LIBOR ARM plans including plan number 2720 through 2729 and 2737

[2] Fannie Mae Lender Letter LL-2020-01 communicated both ARM subtypes and prefixes

Q7. **Why was the periodic adjustment cap changed to one percentage point?**

The change of the adjustment period from a 12-month periodic reset to a 6-month periodic reset created the need to lower the periodic adjustment cap. This safeguards against unexpected payment increases and remains consistent with current market practices. As a result, even in a period of rapidly rising interest rates, a borrower's payment would not change by more than two percentage points in a given year – which is the prevailing market convention.

Q8. **How do we determine the lifetime floor now that this is a field in the note that the Seller needs to populate?**

Fannie Mae's Selling Guide and Freddie Mac's Single-Family Seller/Servicer Guide each dictate that the lifetime floor must equal the initial margin, which must be populated into the applicable fields in the note. Once set at origination, the lifetime floor will not change over the life of the loan.

Q9. **What will the margin be for new SOFR-indexed ARM offerings?**

The new SOFR-indexed ARM products have a maximum margin of 3.00%. The ARRC recommends a margin between 2.75% and 3.00%.

Q10. **Where can consumers find more information on SOFR-indexed ARMs and program disclosures?**

The Consumer Financial Protection Bureau (CFPB) website contains up to date information on program disclosures as well as information on ARMs. It can be accessed here.

Q11. **Will the GSEs use a 45-day lookback period for SOFR-indexed hybrid ARMs to determine the 30-day Average SOFR rate?**

Yes, we will use a 45-day lookback period.

Q12. **Will the GSEs offer an assumability option for the SOFR-indexed ARM offerings?**

Yes. SOFR-indexed ARM Notes and Riders that provide for assumption during the adjustable rate period following the fixed rate period of the ARM are currently available.

Q13. **When will the GSEs' respective systems be updated to reflect SOFR-indexed ARMs?**

Please refer to the GSEs' April 1, 2020, bulletins for details. See Freddie Mac [Bulletin 2020-9] and Fannie Mae [Selling Guide Announcement SEL-2020-02].

Q14. **Do Lenders need to be ready to utilize the new DU® and LPA® Automated Underwriting Specifications prior to originating SOFR-indexed ARMs?**

Fannie Mae response	Freddie Mac response
No. Lenders can originate SOFR-indexed ARMs without making any system changes.	No. Freddie Mac will make SOFR-indexed ARMs available in Loan Product Advisor beginning Oct. 1, 2020 using the Loan Product Advisor v4.8.01. Loan Product Advisor v 5.0.06 is not required to start underwriting SOFR-indexed ARMs.

Q15. **Are the GSEs making additional changes under the Uniform Mortgage Data Program (UMDP)?**

Yes. The GSEs are making sure SOFR-indexed ARMs are accounted for in the applicable UMDP datasets. See the joint announcement (Fannie Mae: UMDP announcement) (Freddie Mac: UMDP announcement) where the changes to the UMDP datasets were communicated.

Q16. **Will SOFR-indexed ARMs be available for cash and guarantor execution?**

Yes. Sellers will be able to deliver SOFR-indexed ARMs through cash or guarantor executions. Bulk transactions will also be an available execution to sell SOFR-indexed ARMs.

Q17. **Why were the Single-Family LIBOR ARM Notes and Riders updated on February 5, 2020?**

The GSEs updated the Single-Family LIBOR ARM Notes and Riders to reflect the fallback language that the ARRC recommended in preparation for the potential cessation of LIBOR.

While current Single-Family ARM contract language allows the GSEs and other note-holders to replace the LIBOR index, it does not provide specific guidance on how to make such a replacement. The ARRC's recommended language is more robust because it clearly specifies what borrowers and investors should expect regarding when and how a replacement index will be chosen.

Q18. **Were only the LIBOR Single-Family ARM Notes and Riders updated in February 2020 to include the ARRC recommended fallback language?**

No. All GSE Single-Family ARM Notes and Riders were updated in February, not just LIBOR-indexed ARM Notes and Riders. In addition, on April 1, 2020, the GSEs published SOFR-indexed Single-Family ARM Notes and Riders that include the ARRC recommended fallback language.

Q19. **Have you chosen a replacement index for Single-Family legacy LIBOR-indexed ARMs? Could LIBOR-indexed ARMs become fixed rate?**

No, we have not chosen a replacement index for any of our legacy LIBOR-indexed ARMs.

Addressing what happens to legacy LIBOR-indexed ARMs is one of the largest remaining issues for the legislatures, regulators and the ARRC. The GSEs are working together at the guidance of our regulator to address these and other challenges. We also are working with the ARRC on the legacy transition away from LIBOR, which includes the ARRC's Consumer Products working group focus on transition of Single-

Family legacy LIBOR-indexed ARMs and other non-GSE consumer LIBOR-indexed products. We will provide guidance as work on these issues progresses.

When LIBOR is no longer available/published, the GSEs (as noteholders) have the obligation to choose a successor index based on comparable information. While we have not yet chosen a replacement index for legacy products (given that LIBOR remains available), a fixed rate is not something we view as being comparable to LIBOR.

Q20. **What does the legacy Single-Family ARM fallback language say?**

In many cases for loans owned by the GSEs, Fannie Mae's and Freddie Mac's legal documents allow for the applicable noteholder to choose a comparable alternative rate should the prevailing reference rate cease to exist. At the loan-level, the contract language determines the key decision-maker concerning the replacement index. Our uniform instrument (the Single-Family ARM note) contains a provision that, if an index becomes unavailable, we (as noteholder) have the authority and obligation to choose a successor index. The language is also described in the Fannie Mae Single-Family MBS Prospectus and Freddie Mac PC Offering Circular under ARM Indices.

The GSEs published updates to joint Fannie Mae/Freddie Mac uniform ARM notes and riders to incorporate the ARRC's recommended fallback language for newly-originated ARMs. In our respective April 1, 2020 announcements, the SOFR-indexed ARM uniform notes with the ARRC fallback language were made available.

Q21. **Will you create an ARM product indexed to term SOFR? When there is a term SOFR what will happen to this product?**

The GSEs were tasked with creating a SOFR-indexed product now. Accordingly, we designed the product using the existing 30-day Average of SOFR, as published by the New York Fed. This does not preclude other ARM products from being offered in the future.

Q22. **Why are you retiring the CMT ARM plans – it appears the CMT index will continue to be published?**

Under the guidance of FHFA, we will be retiring the CMT ARM products in 2021. Our regulator prefers that we only use robust, IOSCO-compliant rates.

Q23. **What are the options for individual borrowers with LIBOR ARMs?**

To date, nothing has changed for borrowers with existing ARM mortgages. As always, individual borrowers can choose to keep their LIBOR-indexed ARMs or seek to refinance into a fixed-rate or non- LIBOR based product. For borrowers who choose to keep their LIBOR-indexed ARMs, once LIBOR is no longer available, servicers of GSE owned loans will inform borrowers of the replacement index that is chosen by the GSEs in consultation with FHFA.

Q24**. Since there is not a specific mortgage margin associated with the SOFR ARM product, can loans with different mortgage margins be securitized in the same Fannie Mae MBS / Freddie Mac PC?**

Yes, loans with varying mortgage margins may be securitized in the same Fannie Mae MBS / Freddie Mac PC or delivered into whole loan commitments.

Q25. Can the initial fixed rate on a SOFR ARM be lower than the margin?

Yes, the stated floor, which must equal the margin, only applies during the adjustable rate period. However, the initial fixed rate cannot be lower than the margin minus the initial reset cap. For example, for a 5/6-Month SOFR-indexed ARM with a 3% margin and a 2% initial reset cap, the initial fixed rate cannot be lower than 1% (3% margin – 2% reset cap).

Single-Family Credit Risk Transfer (SF CRT)

Q1. **Will the GSEs adopt ARRC recommended fallback language in new issuance CRT deals?**

Yes. The GSEs support the ARRC recommended fallback language. Starting with the GSEs' respective transactions, they adopted the recommended securitization fallback language, as listed below:

Fannie Mae: CAS 2020-SBT1 transaction in March 2020
Freddie Mac: STACR 2020-HQA2 transaction in March 2020

Q2. **Are the GSEs planning to issue non-LIBOR based SF CRT deals?**

Reducing LIBOR exposure for both the GSEs and investors is very important to us. Freddie Mac plans to move its Credit Risk Transfer program away from the LIBOR based CRT issuance potentially in Q4 2020. Fannie Mae plans to move its Credit Risk Transfer program away from the LIBOR based CRT issuance potentially in Q1 2021. Issuance of non-LIBOR based CRT deals are subject to the readiness of key market participants for SOFR-indexed CRT (see #4 below), and in consultation with FHFA.

Q3. **What benchmark index will the GSEs use in non-LIBOR based SF CRT deals?**

The GSEs support the ARRC's recommendation of SOFR as the replacement for LIBOR benchmark. The GSEs currently plan to structure SOFR-indexed CRT transactions so that they would:

- Initially use 30-day Average SOFR (published by the NY Fed) 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
    - This subsequent transition would be made as soon as 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

Q4. **What are the key considerations for the GSEs to decide when to move to SOFR-indexed SF CRT issuance?**

A successful transition to SOFR-indexed CRT issuance will require the entire "ecosystem" (e.g., the GSEs as the issuers, CRT investors, broker/dealers, trustees, calculation agents, rating agencies, data vendors, etc.) to be ready. Other key items include the development of the SOFR market, and the breadth and depth of the SOFR-indexed derivatives and financing market.

In June 2020, the GSEs jointly conducted a survey of investors and dealers in their CRT programs seeking feedback on SOFR index methodology and conventions for SOFR CRT issuance and gauging market readiness for the transition. Per the survey, the GSEs expect that most market participants will be ready for SOFR-indexed CRT transactions by the end of Q3 2020.

Q5. **Will the GSEs consider issuing both LIBOR-based and SOFR-indexed SF CRT deals at the same time?**

Currently, the GSEs plan to cease issuing LIBOR-based CRT deals once we move to use SOFR as the new benchmark. A full transition will help reduce the LIBOR exposure for both the GSEs and CRT investors and will be beneficial for the liquidity of the CRT programs.

Q6. **Will Fannie Mae's CAS and Freddie Mac's STACR programs be aligned for transitioning to non-LIBOR-based issuance?**

For new issuance CRT deals, Fannie Mae and Freddie Mac expect to align on (i) the selection and variant of SOFR as the benchmark index, (ii) the methodology and conventions for calculating interest, and (iii) the fallback triggers and waterfall language. The timing of starting to issue SOFR-indexed CRT deals may be different between the two GSEs depending on their respective operational readiness.

Q7. **Will the GSEs consider issuing fixed-coupon SF CRT deals?**

Currently we don't plan to issue fixed-coupon SF CRT deals.

Q8. **Will the broker/dealers be able to support SOFR-based CRT primary issuance?**

The willingness and ability of the broker/dealers to support SOFR-based CRT primary issuance will be critical for a successful transition. Per the dealer survey in June, the GSEs expect that the vast majority of the broker/dealers can support the transition to SOFR-based CRT issuance.

Q9. **Should I be concerned that SOFR-based SF CRT securities will become less liquid?**

Per the dealer survey in June, the GSEs expect that most broker/dealers will be able to provide similar level of support to the CRT secondary market when we move to SOFR, including making two-way markets in SOFR-based CRT securities.

Q10. **Currently I use LIBOR-based repo financing for the SF CRT investment. Will the broker/dealers be able to provide SOFR-based repo financing?**

Per the dealer survey in June, the GSEs expect that most broker/dealers will be able to provide SOFR-based repo financing in Q4 2020.

Q11. **What will be our business day convention?**

"Business day," means any day except for a Saturday, Sunday or a day on which SIFMA recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. Government Securities.

Q12. **Will bonds continue to be uncapped floaters?**

Yes, bond coupons will continue to be uncapped floaters with a floor of zero.

Q13. **At what point will the SOFR rate be determined as the basis for CRT deals?**

All SOFR-indexed CRT securities will have a determination date of 2 business days (2BD) prior to the beginning of the accrual period.

Q14. **What will be the day count convention?**

CRT securities will accrue interest based on the actual number of days in the accrual period divided by 360 (actual/360).

Q15. **What convention will be used for calculating and paying interest for Fannie Mae CAS and Freddie Mac STACR?**

CAS and STACR securities will calculate the index each month using 30-day Average SOFR (published by the NY Fed) as the reference rate, with a determination date of 2 business days (2BD) prior to the beginning of the accrual period. Please see "Fannie Mae and Freddie Mac Credit Risk Transfer Index Framework" for details of the convention. Links:
https://www.fanniemae.com/resources/file/libor/pdf/framework.pdf
http://www.freddiemac.com/about/pdf/LIBOR_SOFRdeck_SFCRT.pdf

Q16. **What does the Fannie Mae CAS and Freddie Mac STACR fallback language say?**

Fallback language has evolved slightly over time, so investors should read the offering documents associated with their securities. In general, however, the GSEs have the obligation to select an alternative index once LIBOR is no longer viable or available. We must select a successor index based on general comparability and other factors.

The GSEs recently adopted new fallback, language based on the ARRC recommendations; each GSE started using this new language with Fannie Mae's CAS 2020-SBT1 and Freddie Mac's CRT 2020-HQA2 offerings in March 2020.

As with all LIBOR transition topics, we are and will coordinate with FHFA.

Q17. **Will the GSEs be aligned in the LIBOR transition for outstanding SF CRT deals that are LIBOR-based?**

The GSEs intend to align LIBOR transition strategy and implementation for SF CRT deals.

Q18. **For legacy SF CRT deals, what benchmark index will the GSEs use when LIBOR is no longer available or no longer representative**

The GSEs are currently working with FHFA on this topic. More information will be provided later this year.

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)

Fannie Mae - Multifamily Adjustable-Rate Mortgages (ARMs)

Q1. **Can lenders still sell LIBOR-indexed Multifamily ARMs to the GSEs?**

Yes, however, under FHFA guidance, Fannie Mae will no longer acquire Multifamily ARM loans indexed to LIBOR by the end of 2020.

To be eligible for delivery to Fannie Mae, all LIBOR ARM Loans must be designated as "Under Application" in the Deal Status field in DUS Gateway® on or before September 30, 2020. In addition, all LIBOR ARM loans must be purchased on or before December 31, 2020 as Cash Mortgage Loans or MBS Mortgage Loans with an Issue Date on or before December 1, 2020. This applies to all LIBOR ARM Loan and Structured ARM Loan plans, and also to all Hybrid ARM Loans.

Q2. **When is Fannie Mae accepting delivery of Multifamily SOFR-indexed ARMs?**

We will begin purchasing Multifamily SOFR-indexed ARMs no later than the fourth quarter of 2020.

Q3. **How will Fannie Mae meet the market demand for Multifamily ARM executions after the final application date for LIBOR-based ARMs at the end of Q3 2020?**

We are releasing a new SOFR-indexed Multifamily ARM with an embedded cap. We intend to make it available to accept deliveries no later than the fourth quarter of 2020. In addition to the new SOFR-indexed Multifamily ARM, we will be offering SOFR-indexed Structured ARMs (SARMS, ARM 7/6s, and Hybrid ARMs. The ability to execute on SARMs will be contingent on the availability of SOFR-indexed interest rate caps/hedges.

In the coming weeks we will announce additional details, including:

- Start dates for registration, delivery and purchase;
- Changes to eligibility, underwriting, and pricing (if applicable);
- New ARM Loan Schedules to the Multifamily Loan Agreement;
- Impacts to DUS Gateway®, C&D™, and other systems; and,
- Committing, Delivery, and Servicing requirements, including timing.

Q4. **When will Fannie Mae provide details about the Multifamily loan structure?**

We will begin training on our SOFR-indexed products at the end of August.

Q5. **Will the 30-day Average of SOFR be used for the Multifamily SOFR-indexed ARMs?**

Yes. The SOFR-indexed ARM Loans will use the 30-day Average SOFR.

Q6. **What are the Multifamily ARM subtypes and prefixes?**

Details related to the Multifamily SOFR-indexed ARM subtypes and prefixes can be found in section 5.3 of Fannie Mae and Freddie Mac's externally published LIBOR Transition Playbook.

Q7. **When will the Fannie Mae's systems be updated to reflect Multifamily SOFR-indexed ARMs?**

We will begin purchasing Multifamily SOFR-indexed ARMs no later than the fourth quarter of 2020. We will notify our Seller/Servicers when our systems will be ready to accept SOFR-indexed ARMs through our standard Multifamily communication channels.

Q8. **Have you chosen a replacement index for Multifamily legacy ARMs?**

No, we have not chosen a replacement index for any of our legacy LIBOR products.

Addressing what happens to legacy LIBOR ARMs is one of the largest remaining issues for the legislatures, regulators and the ARRC. Fannie Mae and Freddie Mac are working together under the guidance of our regulator to address these and other challenges. Fannie Mae is working with the ARRC on the legacy loan transition away from LIBOR; and we will provide guidance as work on these issues progresses.

Q9. **What happens to the ongoing interest rate cap contracts for existing SARM loans?**

Existing SARM loans are not affected by this announcement. The borrower's obligation to purchase replacement interest rate caps/hedges as required by the loan documents are unaffected.

Q10. **What is the current fallback language for LIBOR-based Multifamily ARM Loans?**

From Form 6102.ARM: If the foregoing index is no longer posted through electronic transmission, is no longer available or, in Lender's determination, is no longer widely accepted or has been replaced as the index for similar financial instruments (regardless of whether the index continues to be posted electronically or available), Lender will choose a new Index taking into account general comparability to the previous Index and other factors, including any adjustment factor to preserve the relative economic positions of Borrower and Lender with respect to the Mortgage Loan.

Q11. **Will you create a Multifamily ARM product indexed to term SOFR? When there is a term SOFR what will happen to this product?**

Fannie Mae has focused its efforts on providing ARM products tied to the 30-day Average SOFR, the rate currently published. If term SOFR becomes available, Fannie Mae will consider offering Multifamily ARMs tied to the new rate.

Fannie Mae - Multifamily Credit Risk Transfer

Q1. **Will Fannie Mae adopt ARRC recommended fallback language in new issuance CRT deals?**

Yes. Fannie Mae supports the ARRC recommended fallback language. Starting with our CAS 2020-SBT1 transaction in March 2020, we adopted the recommended securitization fallback language.

Q2. **Is Fannie Mae planning to issue non-LIBOR based CRT deals?**

Reducing LIBOR exposure for both Fannie Mae and our investors is very important to us. Fannie Mae plans to stop issuing LIBOR-based Credit Risk Transfer deals by the end of Q4 2020 and will issue SOFR- based CRT deals by Q1 2021 if market conditions allow.

Q3. **What benchmark index will Fannie Mae use in non-LIBOR based CRT deals?**

Fannie Mae supports the ARRC's recommendation of SOFR as the replacement for LIBOR benchmark Fannie Mae currently plans to structure SOFR-indexed MF CRT transactions so that they would:

Initially use 30-day Average SOFR (published by the NY Fed) as the reference rate, with a determination date of 2 business days (2BD) prior to the beginning of the accrual period

Transition to using an IOSCO compliant Term SOFR at Fannie Mae's discretion at a later date, if the appropriate regulatory authority approves such a rate

The transition would be made as soon as 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

This transition could occur prior to the time LIBOR ceases or is declared to be non-representative

Q4. **What are the key considerations for Fannie Mae to decide when to move to SOFR-based CRT issuance?**

A successful transition to SOFR-based CRT issuance will require the entire "eco-system" (e.g., Fannie Mae as the issuer, CRT investors, broker/dealers, trustee, calculation agents, rating agencies, data vendors, etc.) to be ready. Other key items include the development of the SOFR market, and the breadth and depth of the SOFR-indexed derivatives and financing market. Fannie Mae will continue to survey key constituents, and coordinate with FHFA and Freddie Mac, before we decide when to transition to SOFR-based CRT issuance. We will announce the timing for starting SOFR-based CRT issuance with sufficient time for the market to prepare.

Q5. **Will Fannie Mae consider issuing both LIBOR based and SOFR-based CRT deals at the same time?**

Currently, Fannie Mae plans to cease issuing LIBOR-based CRT deals no later than Q4 2020. A full transition will help reduce the LIBOR exposure for both Fannie Mae and CRT investors and will be beneficial for the liquidity of the CRT programs.

Q6. **Will Fannie Mae consider issuing fixed coupon CRT deals?**

Currently we don't plan to issue fixed coupon CRT deals.

Q7. **Will the broker/dealers be able to support SOFR based CRT primary issuance?**

The willingness and ability of the broker/dealers to support SOFR-based CRT primary issuance will be critical for a successful transition. We have engaged and will continue to engage the broker/dealers to ensure they can support the transition to SOFR-indexed CRT issuance.

Q8. **Should I be concerned that SOFR based CRT securities will become less liquid?**

We expect that most broker/dealers will be able to provide similar level of support to the CRT secondary market when we move to SOFR, including making two-way markets in SOFR based CRT securities. The willingness and ability for the broker/dealers to do so will be one of the key factors for us to decide when to move to SOFR-based CRT issuance.

Q9. **Currently I use LIBOR-based repo financing for the CRT investment. Will the broker/dealers be able to provide SOFR-based repo financing?**

We expect that most broker/dealers will be able to provide SOFR-based repo financing as the SOFR market continues to develop throughout 2020. The transition to SOFR for the derivatives clearinghouses later this year (expected in October 2020) will also be critical for the development of the SOFR-based financing market. We will reach out to the dealers providing this financing and continue to monitor their readiness.

Q10. **What will be our business day convention?**

Business day means any day except for a Saturday, Sunday or a day on which SIFMA recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. Government Securities.

Q11. **Will bonds continue to be uncapped floaters?**

Yes, bonds will continue to be uncapped floaters with a floor of zero.

Q12. **When will SOFR be set?**

All SOFR-indexed CRT securities will have a determination date of 2 business days (2BD) prior to the beginning of the accrual period.

Q13. **What will be the day count convention?**

CRT securities will accrue interest based on the actual number of days in the accrual period divided by 360 (actual/360).

Q14. **Will Freddie Mac and Fannie Mae be aligned in the LIBOR transition for outstanding CRT deals that are LIBOR-based?**

Per FHFA guidance, Fannie Mae and Freddie Mac intend to align LIBOR transition strategy and implementation for CRT deals.

Q15. **For legacy CRT deals, what benchmark index will Fannie Mae use when LIBOR is no longer available or no longer representative?**

We are currently working with FHFA and Freddie Mac on this topic. More information will be provided, later this year.

Freddie Mac - Multifamily Floating Rate Loans

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

On February 5, 2020, we announced key dates for the LIBOR transition:

- September 30, 2020: Last date for applications for LIBOR-indexed floating-rate loans
- December 31, 2020: Last day to purchase LIBOR-indexed floating-rate loans, regardless of application date

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?**

We will begin purchasing floating-rate loans that use an index based on SOFR by November 1, 2020, at the latest. We will start quoting these loans on September 1, 2020.

Q5. **Will legacy LIBOR floating rate loans use the same index as the new SOFR-indexed loans?**

In the event LIBOR ceases to be published or, in some cases, is no longer representative, subject to future developments, Freddie Mac intends to transition its LIBOR-indexed Multifamily loans to the same base index (i.e., Term SOFR or Compounded SOFR, with an appropriate adjustment factor, if applicable) as the base index used for its new SOFR-indexed Multifamily loans, thereby maintaining the liquidity of both the SOFR-indexed Multifamily loans and the transitioned LIBOR-indexed Multifamily loans. Freddie Mac is diligently reviewing various options designed to achieve this uniform transition.

Q6. **What do Optigo® lenders and other Freddie Mac servicers need to do in preparation for newly originated SOFR-indexed loans?**

Freddie Mac is assessing impacts to processes and systems. 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 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 July 2020, third-party caps that reference a SOFR-based index are not currently available, so borrowers will be permitted, on a temporary basis, to purchase an initial LIBOR-based cap agreement instead of a SOFR-based cap agreement. Please note that this optionality will not be offered for the replacement cap, which must reference a SOFR-based index.

While Freddie Mac's requirements for interest rate caps are not expected to change if a SOFR-based cap agreement is purchased, additional requirements will apply if the borrower elects to purchase a LIBOR-based cap. The additional requirements have been outlined in section 6.2 of the LIBOR Transition Playbook.

Q9. **Which SOFR index will be used for new loan and security offerings?**

In April 2020, we confirmed we will be using the 30-day compounded SOFR average published by the Federal Reserve Bank of New York. This index will be used for floating rate loans across all our product lines—Conventional, Targeted Affordable Housing and Small Balance Loans. Also, we intend to preserve accrual periods for 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 are not expected to 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. **What will happen if a SOFR term rate becomes available?**

We recognize the benefits of using a term rate for loan products. Although a SOFR term rate is not currently available, we continue to monitor the market and may transition if deemed necessary. Of note, any transition to a SOFR term rate will involve close coordination and communication with the Optigo network.

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. Freddie Mac Multifamily plans to have capability of issuing non-LIBOR-based SCR deals in Q4 2020, subject to the readiness of key market participants for SOFR-indexed SCR deals and in consultation with FHFA.

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. In the event we believe it is necessary to issue new SCR deals again, prior to market readiness and interest in Multifamily credit risk transfer floating rate securities based on SOFR, we expect the SCR deals will be LIBOR-based and will be structured in alignment with the STACR program.

Q4. **What benchmark index will Freddie Mac Multifamily use in non-LIBOR-based SCR deals?**

Freddie Mac currently plans to structure SOFR-indexed MF CRT transactions so that they would:

- Initially use a compound average of SOFR as the reference rate, such as 30-day Average SOFR (published by the NY Fed) or a SOFR methodology consistent with the NY Fed’s Data and Calculation Methodology for SOFR Averages and Index
- Transition to using an IOSCO compliant Term SOFR at Freddie Mac’s discretion at a later date, if the appropriate regulatory authority approves such a rate
  - The transition would be made as soon as Term SOFR can be operationalized and is administratively feasible, and the transition would include changes to conventions that are appropriate for a term rate
  - This transition could occur prior to the time LIBOR ceases or is declared to be non-representative

Q5. **What are the key considerations for Freddie Mac Multifamily to decide when to move to SOFR-based SCR issuance?**

A successful transition to SOFR-based SCR issuance will require the entire “ecosystem” (e.g., Freddie Mac Multifamily as the issuer, CRT investors, broker/dealers, trustees, calculation agents, rating agencies, data vendors, etc.) to be ready. Other key items include the development of the SOFR market, and the breadth and depth of the SOFR derivatives and financing market. Freddie Mac Multifamily will utilize various surveys conducted by Multifamily, Freddie Mac Corporate and Single-Family divisions on key constituents before we decide when to transition to SOFR-based SCR issuance. We will announce the timing for starting SOFR-based SCR issuance with sufficient time for the market to prepare.

Q6. **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.

Q7. **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.

Q8. **Will the broker/dealers be able to support SOFR-based SCR primary issuance?**

The willingness and ability of the broker/dealers to support SOFR-based SCR primary issuance will be critical for a successful transition. We will continue to engage the broker/dealers to ensure they can support SOFR-based SCR issuance capability.

Q9. **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. The willingness and ability of the broker/dealer to do so will be one of the key factors for us to decide when to move to SOFR-based SCR issuance.

Q10. **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
	June 2020
Collateralized Mortgage Obligations ("CMOs")	Q1. Updated the SOFR-indexed CMO issuance from June 2020 to July 2020; Q2. For both Delay and Non-delay securities, updated the determination date to be 2 Business Days (2BD) prior to the beginning of the accrual period; Q4. Clarified the entities referred as "appropriate regulatory authority" Q5. Updated language to note the May 28, 2020 announcements; Q6. Removed question as it is no longer applicable.
	July 2020
Enterprise	Q 10. Added June 11, 2020 CMO announcement and July 29, 2020 CRT announcements. Q 15. Updated order of the CMO and CRT announcements to reflect both chronologically.
Single Family ARMs	Q 3. Added link to the SF Chapter in the Playbook for easy reference. Q 21. Added language to clarify where the fall back language applies.
SF CRT	Q 3. Added language to clarify the plan to use 30-day Average SOFR (published by the NY Fed) as the reference rate, and related conventions. Q 4. Added reference to the joint June 2020 Survey. Q8, Q9, Q10. Updated language to reflect most current information based on June's survey Q 15. Added a link to the 7/29/20 CRT Deck to be posted on the LIBOR transition website.
Fannie Mae Multifamily ARMs	Q 3. Further explains the product details Q 4. Added the specific date of September
Fannie Mae Multifamily CRT	This section now conforms to the updates made in the joint SF CRT section. Q3; Q12; Q13. Updated to include more product details.
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.