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Freddie Mac Clears Path for New Index Rate
Company Begins Purchasing SOFR-indexed Products and Launches SOFR-indexed Offerings

McLean, Va. – Freddie Mac (OTCQB: FMCC) today highlighted the key milestones it achieved in 2020 as part of its transition from LIBOR (formally the London Interbank Offered Rate) to the Secured Overnight Financing Rate (SOFR). Freddie Mac made significant progress across the enterprise in support of this important effort for the industry. Among its most recent achievements, in November, the company for the first time began purchasing and securitizing single-family adjustable-rate mortgage (ARM) loans tied to SOFR.

“Freddie Mac’s 2020 actions continued to prepare us for the future cessation of LIBOR,” said Freddie Mac Interim President Mike Hutchins, executive sponsor of the company’s LIBOR transition effort. “This was a complex project across the firm with an aggressive set of objectives.”

Through external engagement with the Federal Housing Finance Agency, Fannie Mae and other parties, including participation on the Alternative Reference Rates Committee (ARRC) and its working groups, Freddie Mac also launched new SOFR-indexed offerings and announced the discontinuation of LIBOR-indexed products.

“As an active member of the ARRC and many of its subcommittees, we worked with the industry to understand how different conventions of overnight SOFR can be used in our
products and offerings,” said Ameez Nanjee, Vice President, Asset Liability Management and Freddie Mac’s official representative to the ARRC.

Although recent proposals in the United Kingdom indicate that LIBOR’s cessation date may be extended from the end of 2021 to mid-2023, Freddie Mac remains committed to preparing for a transition to alternative reference rates as soon as practical. The company plans to cease purchasing LIBOR-based products by December 31, 2020 and will continue developing liquidity in SOFR-based products. Freddie Mac will share additional information about its LIBOR transition efforts and milestones once the relevant U.K. parties have announced their final plans for LIBOR’s cessation.

Key accomplishments for 2020 included:

Single-Family

- Announcing that December 31, 2020 is the last date for LIBOR-indexed ARM purchases for mortgages originated on or before September 30, 2020.
- Enabling single-family lenders to start underwriting SOFR-indexed ARMs and seller/servicers to sell and securitize Single-Family SOFR ARM mortgages.

Multifamily

- Quoting SOFR-indexed Multifamily Loans, with $647 million funded to date, and more than $11.2 billion in the firm pipeline.
- Launching SOFR-indexed Small Balance Loans with $1.2 billion in the pipeline.
Capital Markets

- Ending issuance of LIBOR-indexed floating rate unsecured debt that matures beyond the end of 2021.
- Issuing more than $144 billion in SOFR-indexed debt to date.
- Launching SOFR-indexed CMOs, with $1.2 billion of issuance to date.
- Announcing the end of LIBOR-indexed collateralized mortgage obligation (CMO) issuance.
- Settling the first SOFR-based Single-Family Credit Risk Transfer transaction, a $1.1 billion STACR REMIC.
- Transitioning discounting for all derivatives (both cleared and bilateral books) from Effective Federal Funds Rate (EFFR) to SOFR discounting rate.
- Adhering to the ISDA Protocol in escrow, demonstrating our continued commitment to a transition from LIBOR to SOFR.

These achievements were in addition to the 2019 launch of Multifamily Floating Rate K-Deals, including a class with a SOFR-indexed coupon, and Freddie Mac’s engagement in the SOFR derivatives markets.

More information about the LIBOR transition is available on Freddie Mac’s LIBOR Transition website, which hosts the LIBOR Transition Playbook and answers to frequently asked questions.

Freddie Mac makes home possible for millions of families and individuals by providing mortgage capital to lenders. Since our creation by Congress in 1970, we’ve made housing more accessible and affordable for homebuyers and renters in communities nationwide. We are building a better housing finance system for homebuyers, renters, lenders, and taxpayers.
Learn more at FreddieMac.com, Twitter @FreddieMac, and Freddie Mac’s blog FreddieMac.com/blog.

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