

Freddie Mac Collateral Mortgage Obligations 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 GSEs' respective transitions 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/MBS, Credit Risk Transfer transactions, Multifamily adjustable-rate mortgages and securities, Credit Risk Transfer transactions, and Collateralized Mortgage Obligations.*

Please be aware that the federal Adjustable Interest Rate (LIBOR) Act (LIBOR ACT) became law on March 15, 2022. As required by the Act, the Board of Governors of the Federal Reserve System (Federal Reserve Board) published regulations identifying benchmark replacement rates based on SOFR on December 16, 2022. The regulations published by the Federal Reserve Board were used as guidance for the answers provided by Fannie Mae and Freddie Mac in this document.

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Summary of Changes

The table below details the list of changes since the June 2022 version of the FAQs published on the Fannie Mae and Freddie Mac websites.

Section	Summary of change
January 2023	
Collateral Mortgage Obligations (CMOs)	Q1. Updated to state that limitations on resecuritizing existing LIBOR-indexed CMOs into new-issue SOFR-indexed re-REMICs will no longer apply following LIBOR cessation on June 30, 2023. Q4. Updated to state that new issue SOFR-indexed CMOs will not transition to Term SOFR. Q5. Updated to state the GSEs' legacy LIBOR replacement rate selections for CMO products.

Collateral Mortgage Obligations (CMOs)

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 were new SOFR-indexed CMOs available for issuance?

Freddie Mac and Fannie Mae began to offer new SOFR-indexed CMOs for REMIC settlements in July 2020. The GSEs ceased offering new LIBOR-indexed CMOs on September 30, 2020. The cessation does not apply to RCR/MACR exchanges, or halt resecuritizations of previously issued LIBOR-indexed certificates (whether CMO or ARM certificates) into appropriately structured new-issue SOFR-indexed CMOs. Prior limitations on resecuritizing existing LIBOR-indexed CMOs into new-issue SOFR-indexed re-REMICs will no longer apply once the index for existing LIBOR CMOs has transitioned on June 30, 2023 into a Federal Reserve Board-selected benchmark replacement based on SOFR.

Q2. What is 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 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 accept all collateral that was acceptable for LIBOR-indexed structures at each respective Enterprise.

Q4. Will the new issue SOFR-indexed CMOs transition from Compounded SOFR to Term SOFR?

New-issue SOFR-indexed CMOs will not include the optional transition to Term SOFR. Outstanding new-issue CMOs based on the Fed Published Compounded SOFR that include such language will not transition to a Term SOFR rate.

Q5. How will you treat legacy LIBOR-indexed CMOs?

The Federal Reserve Board is implementing the Adjustable Interest Rate (LIBOR) Act which was signed into law in March 2022. The final regulations on the replacement rates were announced by the Federal Reserve Board on December 16, 2022. Consistent with the Federal Reserve Board’s regulation, the GSEs will transition to the 30-day Average SOFR rate published by the Federal Reserve Bank of New York, plus an applicable tenor spread adjustment. The transition will occur following the June 30, 2023, cessation of the publication of all remaining tenors of USD LIBOR by ICE Benchmark Administration Limited.

Summary of Prior Changes

Section	Summary of change
June 2020	
Collateral 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.
October 2020	
Collateral Mortgage Obligations (CMOs)	Q5. Updated the language on replacement index for legacy products and intentions for LIBOR-indexed CMOs.
April 2021	
Collateral Mortgage Obligations (CMOs)	Q1. Updated to reflect that SOFR-index CMOs have been issue. Q2. Updated to reflect that determination date has been determined Q3. Updated to reflect the same collateral acceptable for LIBOR-indexed CMOs can be included in SOFR-indexed CMOs
October 2021	
Collateral Mortgage Obligations (CMOs)	Q3. Added language that transition to Term SOFR for new issue CMOs will depend on ARRC recommendation that use of rate is appropriate for CMOs Q4. Added language that treatment of transition to Term SOFR for legacy CMOs will depend on GSE evaluation and ARRC recommendation that use of rate is appropriate for CMOs
June 2022	
Collateral Mortgage Obligations (CMOs)	Q1. Updated to incorporate information from the resecuritization announcement on May 12, 2022.