LIBOR Transition FAQs
Single-Family Credit Risk Transfer
June 2022

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 and Collateralized Mortgage Obligations.*

Please be aware that the federal Adjustable Interest Rate (LIBOR) Act became law on March 15, 2022. The LIBOR Act requires the Board of Governors of the Federal Reserve System (Federal Reserve Board) to publish regulations identifying a Board-selected benchmark replacement based on SOFR. The timing and content of the regulations published by the Federal Reserve Board may have a significant impact on any and all steps that the GSEs may take in connection with the transition from LIBOR-indexed products to SOFR-indexed products. The answers provided by Fannie Mae and Freddie Mac in this document may not reflect potential impacts of the LIBOR Act or the forthcoming implementing regulations of the Federal Reserve Board.

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

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<td>Single-Family CRT</td>
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<td>Q3. Updated to incorporate that the GSEs will have to determine the administrative feasibility of Term SOFR.</td>
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<td>Q5. Updated to reflect that Fannie Mae moved its SF CRT program to SOFR-based issuance in October 2021.</td>
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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. Each GSE has adopted the recommended securitization fallback language, beginning with the applicable transaction 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 moved its Credit Risk Transfer program away from the LIBOR based CRT issuance in October 2020. Fannie Mae moved its Single-Family Credit Risk Transfer program to SOFR based issuance in October 2021.

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

The GSEs have structured and plan to continue to structure SOFR-indexed CRT transactions so that they:

- Initially use 30-day Average SOFR (published by the New York 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 and if the ARRC recommends that the use of such a rate is appropriate for securities such as SF 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.
  - In determining administrative feasibility of Term SOFR, the GSEs will take into account, among other things, technical and operational issues, as well as any regulatory requirements, directives, or pronouncements affecting their actions. It is possible that Term SOFR will be determined not to be administratively feasible even if it becomes technically or operationally available in the future. Furthermore, the ARRC published benchmark replacement recommendations under which compounded, rather than Term, SOFR is recommended for most securitization transactions.
    - A spread adjustment will not 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?

In October 2020, Freddie Mac successfully issued its inaugural SOFR-based STACR transaction (STACR 2020-DNAS) with broad support from all key CRT market participants. Fannie Mae issued its first SOFR-based CAS transaction (CAS 2021-R01) in October 2021.

A successful transition to SOFR-indexed CRT issuance requires 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.

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

Freddie Mac issued its first SOFR-based SF CRT deal in October 2020 and has ceased issuing LIBOR-based SF CRT deals. Fannie Mae ceased issuing LIBOR-based CRT deals and issued its first SOFR-based SF CRT deal in October 2021. 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?**

Freddie Mac and Fannie Mae are generally aligned on SOFR-based methodologies and conventions for SF CRT deals.

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

Currently we do not plan to issue fixed-coupon SF CRT deals.

**Q8. What SOFR methodology/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 (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 (including payment date, benchmark adjustment date, accrual period, day count, cap/floor, etc.). Links: [https://www.fanniemae.com/resources/file/libor/pdf/framework.pdf](https://www.fanniemae.com/resources/file/libor/pdf/framework.pdf) [http://www.freddiemac.com/about/pdf/LIBOR_SOFRdeck_SFCRT.pdf](http://www.freddiemac.com/about/pdf/LIBOR_SOFRdeck_SFCRT.pdf)

**Q9. 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 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 STACR 2020-HQA2 offerings in March 2020.

**Q10. 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, in consultation with
FHFA, taking into consideration the Federal Reserve Board-selected benchmark replacement.

Q11. The ICE Benchmark Administration (IBA) ceased publication of 1 week and 2-month USD LIBOR at the end of 2021, and announced its intention to cease all other tenors after the last publication on June 30, 2023. Does this extension change the GSEs plans for LIBOR transition?

Freddie Mac and Fannie Mae have ceased issuing LIBOR-based CRT deals. Regarding transition of legacy SF CRT deals, the GSEs expect to make further announcements in 2022. Please refer to related offering documents for contractual language.

Q12. For legacy SF CRT deals, what benchmark index will the GSEs use when LIBOR is no longer available or no longer representative?

The GSEs will continue to work with the ARRC, FHFA, and other industry partners on the transition of legacy SF CRT deals, taking into consideration the Federal Reserve Board-selected benchmark replacement, and the GSEs will communicate details pertaining to them in advance to facilitate the legacy transition.
# Summary of Prior Changes

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<td><strong>July 2020</strong></td>
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| Single-Family CRT               | Q3. Added language to clarify the plan to use 30-day Average SOFR ([published by the New York Fed](https://www.newyorkfed.org)) as the reference rate, and related conventions.  
Q8, Q9, Q10. Updated language to reflect most current information based on June’s survey  
Q15. Added a link to the 7/29/20 CRT Deck to be posted on the LIBOR transition website.                                                   |
| **October 2020**                |                                                                                                                                                                                                                     |
| Single-Family CRT               | Q18. Updated language to note the GSE’s coordination with ARRC, FHFA and other industry partners on the transition of legacy SF CRT deals.                                                                            |
| **December 2020**               |                                                                                                                                                                                                                     |
| Single-Family CRT               | Q2, Q3, Q4, Q5 and Q6. Updated for SOFR-based CRT issuance  
Removed Q8, Q9, Q10, Q11, Q12, Q13 and Q14. and consolidated SOFR market convention related questions to Q15. (now Q8.)  
Q18. (now Q11.) Updated to reference legacy announcement and spread adjustment  
Added Q12, Q13, Q14 and Q15. for legacy SF CRT                                                                                           |
| **April 2021**                  |                                                                                                                                                                                                                     |
| Single-Family CRT               | Q11. Added to reflect IBA announcement                                                                                                                                                                             |
| **October 2021**                |                                                                                                                                                                                                                     |
| Single-Family CRT               | Q3. Added language that transition to one-month Term SOFR will also depend on ARRC recommendation that use of rate is appropriate for SF CRT.                                                                       |