



Fannie Mae

FreddieMac



LIBOR Transition Playbook

Single-Family Credit Risk Transfer (CRT)

April 2023



Summary of Changes

The table below details the list of changes since the January 2023 version of the LIBOR Transition Playbook was published on the Fannie Mae and Freddie Mac websites.

Section	Summary of changes
All Sections	<ul style="list-style-type: none"><li data-bbox="500 434 1419 533">▪ Updated Replacement rate determination sections to include finalized replacement index names, Refinitiv Instrument Codes (for SF) and all-in replacement rate calculations
4. CRT Transactions	<ul style="list-style-type: none"><li data-bbox="500 546 1403 611">▪ Updated 4.3 with additional clarity on spread adjustment to align with updates made to the FAQs<li data-bbox="500 617 1352 682">▪ Updated index description and all-in replacement rate calculation information in Section 4.3



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Please be aware that the federal Adjustable Interest Rate (LIBOR) Act (the “LIBOR Act”) became law on March 15, 2022. As required by the Act, the Board of Governors of the Federal Reserve System (“Board”) published regulations identifying Board-selected benchmark replacement rates based on the Secured Overnight Financing Rate (“SOFR”) on December 16, 2022. The regulations published by the Board have a significant impact on steps that the GSEs will take in connection with the transition from LIBOR-indexed products to SOFR-indexed products.

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4. CRT Transactions

4.1 Introduction

On December 22, 2022, the GSEs announced their selection of 30-day Average SOFR plus a fixed tenor spread adjustment as the benchmark replacement for their LIBOR-indexed CRTs following the cessation of LIBOR. This decision aligns with the Board-selected benchmark replacements for cash transactions that are FHFA-regulated-entity contracts and is applicable to CRTs for which the GSEs are responsible for selecting the benchmark replacement.

Certain CRT deals issued following March 2020 may include contractual language indicating a benchmark replacement of Term SOFR. Please note that Fannie Mae and Freddie Mac will refrain from taking any steps that would result in the conversion of any existing SOFR-indexed CRTs from 30-Day Average SOFR to term SOFR based on any provision that calls for such conversion when operationally, administratively, and technically feasible.

Legacy transition considerations are not applicable to Freddie Mac MF CRTs due to their fixed rate nature. Freddie Mac MF does not plan to issue any LIBOR-indexed CRT deals in the future.

The following section will help you understand:

- Key milestone dates for transitioning LIBOR-indexed CRTs
- Guidance on benchmark replacements and associated spread adjustments
- High-level considerations for transitioning legacy LIBOR-indexed CRTs
- Guidance on legacy LIBOR-indexed CRTs

For more information on legacy transition can be found on Fannie Mae’s [LIBOR Transition website](#).

4.2 Transition milestones

The GSEs defined key dates related to the transition of legacy LIBOR-indexed CRTs. Milestones will continue to be updated as necessary. Figure 4-1 identifies key transition milestones for CRTs.

Figure 4-1: CRT transition timeline



4.3 Replacement rate determination and spread methodology

❖ Benchmark replacement determination

The LIBOR Act required the Board to publish regulations identifying a Board-selected benchmark replacement based on SOFR. On December 16, 2022, the Board published its final rulemaking confirming the LIBOR benchmark replacements. Based on this, the GSEs will transition from 1-month



LIBOR to the 30-day Average SOFR rate published by the NY Fed, plus an applicable tenor spread adjustment (0.11448% for one-month tenor). 30-day Average SOFR for an Index Determination Date will be the applicable compounded average of SOFR for 30 days published for such Index Determination Date as such rate appears on the NY Fed's Website at 3:00 p.m. ET.

The first date on which spread-adjusted 30-day Average SOFR rate will be used as the replacement index for LIBOR-indexed CRT transactions will be July 21, 2023. The replacement index will be used for calculating accrued interest during the July 25 – August 24, 2023 Accrual Period, and the payments will be made to bondholders on the August 25, 2023 Payment Date.

❖ **SOFR spread adjustment methodology**

Under the LIBOR Act, a pre-determined fixed tenor spread adjustment will be applied to the benchmark replacement immediately following the cessation of LIBOR. The spread adjustment will be 0.11448% for the 1-month tenor, meaning the spread adjustment will be fixed at 0.11448% for legacy CRT transactions after June 30, 2023. Figure 4-2 depicts the LIBOR benchmark replacements and spread adjustment methodology for SF and MF CRTs (for Fannie Mae) as defined by the LIBOR Act.

For updates on regulatory and industry efforts to advance the legacy transition, refer to [the Board's final rulemaking](#) and [ARRC's website](#).

Figure 4-2: Benchmark replacement guidance for CRTs

Board Final Rule Category	Current LIBOR Index	Spread-adjusted SOFR Replacement Index	All-In Replacement Rate Calculation
FHFA-Regulated-Entity Contract	1M LIBOR	30-Day Average SOFR + 1-Month Spread Adjustment	30-Day Average SOFR + 0.11448 (percent)

4.4 Administering legacy LIBOR-indexed CRTs

❖ **Actions to consider**

Investors and vendors will need to maintain awareness of potential impacts of the LIBOR transition including index and calculation changes. The GSEs will transition from 1-month LIBOR to the 30-day Average SOFR rate published by the NY Fed, plus an applicable tenor spread adjustment (0.11448% for one month-tenor) as defined in the LIBOR Act.

Figure 4-3: Actions to consider when administering CRTs

Focus areas	Actions to consider
Investor awareness	<ul style="list-style-type: none"> Maintain awareness of the updates to impacted CRTs
Use of a new index in rate and payment calculations	<ul style="list-style-type: none"> Update and test systems, reporting and other processes or activities related to interest rate adjustment calculations to incorporate the benchmark replacement's product parameters



6. Appendix: Introduction to SOFR based new products

6.1 Introduction

To assist stakeholders in preparing for the transition from LIBOR to alternative reference rates (“ARRs”), information and guidance related to the issuance of new contracts have been consolidated into the following appendix sections. The following sections are targeted at readers who need information about the following products:

- Single-Family (“SF”) Adjustable-rate Mortgages (“ARMs”) and securities, i.e., Mortgage-backed Securities (“MBS”) and Participation Certificates (“PCs”)
- SF Credit Risk Transfer (“CRT”) transactions
- Collateralized Mortgage Obligations (“CMOs”)
- Fannie Mae Multifamily (“MF”) ARMs and MBS
- Freddie Mac MF Floating-Rate Loans and securities
- MF CRT transactions

The following sections describe key transition milestones and recommended actions for stakeholders to consider as they manage the upcoming transition from LIBOR. The following sections serve as a tool to help plan and adapt business policies, procedures, and processes to support products linked to ARR and prepare for discontinuing the use of LIBOR as an index.

Under the guidance of FHFA, the GSEs have been working together on several aspects of the LIBOR transition. Where appropriate, the GSEs have aligned policies and milestones. However, each GSE’s timelines and product details may differ. Readers should take note of these differences, which are further explained in each chapter of this document.

For more details and FAQs on each GSE’s transition, refer to LIBOR transition webpages for [Fannie Mae](#) and [Freddie Mac](#), respectively.

Please direct any additional questions to your Fannie Mae or Freddie Mac account management teams.

6.2 SOFR-indexed key milestones

The GSEs have established milestones leading to the transition from LIBOR, including timelines for beginning acquisition and issuance of SOFR-indexed products and ceasing acquisition and issuance of LIBOR-indexed products.

Transition timelines are defined for major products offered by the GSEs based on timing for finalizing transition strategies and external market dependencies. Milestones will continue to be updated as necessary. For more detailed timelines, refer to the individual chapters for each product.

**Figure 6-1: Key transition milestones**

Product	Fannie Mae		Freddie Mac	
	Offer SOFR products	Cease LIBOR offering	Offer SOFR products	Cease LIBOR offering
SF ARMs and MBS/PCs ¹	Aug. 2020	Dec. 2020 ²	Nov. 2020	<ul style="list-style-type: none"> ▪ Dec. 2020: Last LIBOR ARM Guarantor PC Issue Date ▪ Dec. 2020²: Last LIBOR ARM Settlement Date
SF CRT transactions	Oct. 2021	Dec. 2020	Oct. 2020	Oct. 2020
CMOs	Jul. 2020	Oct. 2020 ³	Jul. 2020	Oct. 2020 ³
Fannie Mae MF ARMs and MBS ¹	Sep. 2020	Dec. 2020	N/A	N/A
Freddie Mac MF Floating-Rate Loans and securities	N/A	N/A	<ul style="list-style-type: none"> ▪ Dec. 20, 2019: K-deals ▪ Sep. 1, 2020: Floating-Rate Loans ▪ Dec. 17, 2020: K-deals backed only by SOFR-indexed Floating-Rate Loans 	<ul style="list-style-type: none"> ▪ Dec. 2020: Ceased purchase of LIBOR-indexed Floating-Rate Loans and hybrid loans ▪ End of Q2 2021: Ceased issuance of LIBOR-indexed securities
MF CRT transactions	TBD	Dec. 2020	Jan. 2021	Dec. 2020

¹ The underlying mortgages needed to have an application date no later than September 30, 2020. Effective June 30, 2022, the GSEs will no longer resecuritize LIBOR-indexed MBS/PCs and Megas/Giants into new issuance LIBOR-indexed bonds

² The GSEs stopped accepting LIBOR-indexed pool deliveries after this date.

³ The GSEs will no longer issue resecurizations of previously issued LIBOR-indexed certificates (whether CMO or ARM certificates) into new LIBOR-indexed bonds that settle after June 30, 2022.



8. Appendix: Single-Family CRTs

8.1 Introduction

The purpose of this chapter is to provide market participants guidance on new SOFR-indexed SF CRT issuances and the transition of legacy LIBOR-indexed SF CRT transactions in the future.

8.2 SOFR-indexed SF CRT new issuance and market developments

❖ Objectives

Freddie Mac discontinued issuing LIBOR-indexed SF CRT deals and began issuing SOFR-indexed SF CRT deals in October 2020. Fannie Mae discontinued issuing LIBOR-indexed SF CRT deals in December 2020 and began issuing SOFR-indexed SF CRT deals in October 2021.

Since there is a well-defined SOFR index to determine the coupon payments due on the notes, the move to SOFR-indexed SF CRT issuances has been relatively simple from an operational perspective.

❖ SOFR indices

- The GSEs currently are structuring SOFR-indexed CRT transactions so that they use 30-day Average SOFR (published by the [NY Fed](#)) as the reference rate, [with a Determination Date of two business days \(“2BD”\) prior to the beginning of the accrual period for CRT securities](#)

Certain CRT deals issued following March 2020 may include contractual language indicating a benchmark replacement of Term SOFR. Please note that Fannie Mae and Freddie Mac will refrain from taking any steps that would result in the conversion of any existing SOFR-indexed CRTs from 30-Day Average SOFR to term SOFR based on any provision that calls for such conversion when operationally, administratively, and technically feasible.

8.3 Timelines and milestones

❖ Related SOFR market development

- SOFR market conventions: On March 2, 2020, the NY Fed began publishing a SOFR index and a calculator for computing compound averages of SOFR
- Development of SOFR derivatives market: The move to SOFR-indexed discounting by CME/LCH has helped improve the liquidity of the SOFR derivatives market

❖ GSE alignment

The GSEs are aligned on the choice of SOFR indexes that will be utilized for future SF CRT securities. This alignment will ensure the SF CRT transitions are consistent between the GSEs and will minimize potential disruptions to the SF CRT market. Specifically, Fannie Mae’s CAS program and Freddie Mac’s STACR program will be aligned on the following:

- Selection of SOFR as the index for new issuances of SF CRT deals
- SOFR index and methodology (i.e., 30-day Average SOFR)
- Fallback triggers and waterfall for new SOFR issuances

❖ Actions market participants should consider

The GSEs encourage all SF CRT market participants to conduct an internal operational readiness assessment and start any operational build needed to participate in SOFR-indexed SF CRT



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transactions as early as practicable. Investment guidelines and other key governance documentation should be reviewed to ensure that they can transact in SOFR. Please refer to Section 1.3, “Actions market participants should consider,” for FAQs and other resources related to the SF CRT LIBOR transition.



14. Summary of Prior Changes

Section	Summary of changes
July 2020	
3. Single-Family Credit Risk Transfer transactions	<ul style="list-style-type: none"> ▪ Specified that the Determination Date will be 2 Business Days (2BD) prior to the beginning of the accrual period for CRT securities
November 2020	
3. Single-Family Credit Risk Transfer transactions	<ul style="list-style-type: none"> ▪ Updated language to indicate Fannie will have the capability to issue SOFR-indexed CRT deals in Q1 2021 ▪ Updated outstanding SF CRT notes that are indexed to one-month LIBOR as of September 30, 2020 at Fannie Mae (\$25.6 billion) and at Freddie Mac (\$27.5 billion) ▪ Updated the language and SF CRT timeline to indicate the issuance of Freddie Mac’s SOFR-indexed CRT
March 2021	
3. Single-Family Credit Risk Transfer	<ul style="list-style-type: none"> ▪ Updated figures to reflect the GSEs’ current outstanding legacy SF CRT notes ▪ Updated language around the discontinuation of LIBOR-indexed SF CRT deals at the end of Q4 2020 and current structure of SOFR-indexed CRT transactions
October 2021	
3. Single-Family Credit Risk Transfer	<ul style="list-style-type: none"> ▪ 3.2 SOFR-indexed CRT new issuance: Updated language to reflect the availability of Term SOFR, the issuance of SOFR-indexed CRT transactions, and added language about the determination of the administrative feasibility of Term SOFR ▪ Figure 3-1: Updated timeline to reflect Fannie Mae’s operational readiness for SOFR-indexed SF CRT issuance ▪ 3.3 Timeline and milestones: updates to reflect availability of Term SOFR ▪ 3.4 Legacy SF CRT transition: Updated estimates of outstanding SF CRT notes indexed to one-month LIBOR
June 2022	
3. Single-Family Credit Risk Transfers	<ul style="list-style-type: none"> ▪ Updated to reflect Fannie Mae beginning to issue SF SOFR-indexed CRTs ▪ Updated timeline to include year 2022 and tentative plans for a final legacy transition strategy announcement
January 2023	
All Sections	<ul style="list-style-type: none"> ▪ Updated formatting, diction, and abbreviations throughout for consistency ▪ Updated language to reflect implementation of the Adjustable Interest Rate (LIBOR) Act ▪ Updated all sections to add details related to the legacy transition for each product ▪ Prior sections of the playbook focused on new products have been moved to the appendix



4. CRT Transactions	<ul style="list-style-type: none">▪ Consolidated Fannie Mae and Freddie Mac details for SF and MF CRTs into one section▪ Added consolidated transition milestone timeline▪ Updated content throughout to describe the replacement rate determination and other details related to the transition of LIBOR-indexed CRTs▪ Clarified plan to keep all SOFR-indexed CRTs indexed to 30-Day Average SOFR
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