Collateral Mortgage Obligations (CMO)
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.

Summary of Changes

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

Section	Summary of change
October 2021	
Collateral Mortgage Obligations (CMO)	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

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 and be endorsed by the ARRC, 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 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 (i) RCR/MACR exchanges, or (ii) resecuritizations of previously issued Libor-indexed certificates (whether CMO or ARM certificates) as long as such resecuritizations do not increase the exposure of LIBOR-indexed certificates.

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 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? 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,that such a rate is operationally, administratively and technically feasible, and if the ARRC recommends that the use of a Term SOFR rate is appropriate for securities such as CMOs. 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).

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

We have not determined the replacement index for any legacy products if LIBOR ceases in the future. However, on May 28, 2020, we announced that we intend for certain of our legacy LIBOR-indexed CMOs that were supplemented with ARRC-recommended fallback language to be treated the same as our new issue LIBOR-indexed CMOs at LIBOR cessation (or once LIBOR is no longer representative), in that our legacy CMOs that were supplemented would transition to Term SOFR (if approved by the appropriate regulatory authority, if such rate is operationally, administratively and technically feasible as determined by the GSEs in their discretion, and if the ARRC recommends that the use of such rate is appropriate for securities such as CMOs) or, if such conditions are not met, to Compounded SOFR. For more information, see (Fannie Mae

Announcement) (Freddie Mac announcement)

Summary of Prior Changes

Section	Summary of change
June 2020	
Collateral Mortgage Obligations (CMO)	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	
CMO	Q5. Updated the language on replacement index for legacy products and intentions for LIBOR-indexed CMOs.
April 2021	
CMO	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