

Fannie, Freddie Announce Single-Family and Multifamily ARM Index Update

- Fannie and Freddie acquisition of Single- and Multifamily LIBOR ARMs will end on or before December 31, 2020.
- In 2021, will cease Constant Maturity Treasury (CMT) based ARMs, not a big part of Fannie/Freddie issuance.
- They plan to begin accepting ARMs based on Secured Overnight Financing Rate (SOFR) later in 2020.
- Announced new Single-Family SOFR ARM plans that will be available, table below.
- Transition away from LIBOR continues to grow, expect your transition efforts to be subject to increased scrutiny.

As you are well aware of by now, the [transition away from LIBOR](#) is in full-swing and building momentum as we approach the assumed 2021 deadline. As part of this transition, both Fannie Mae and Freddie Mac announced yesterday additional measures they will take as they transition away from LIBOR. The major takeaway for both lenders of and investors in LIBOR-based ARMs is that you should prepare for their phaseout scheduled to occur later this year. For lenders, this means making appropriate system changes and making sure loan documentation is up-to-date and compatible with the new SOFR ARM programs. For investors in LIBOR-based ARMs, you should check your investment policies to make sure that, if necessary, SOFR (Secured Overnight Financing Rate) is an approved index for investments.

Per Randal K. Quarles, Federal Reserve Vice Chair for Supervision:

“The FHFA and GSEs have shown tremendous leadership in advancing the transition away from LIBOR. Authorities from around the world have warned of the need to transition away from LIBOR and firms should heed these statements. The announcement that the GSEs will no longer accept adjustable-rate mortgages based on LIBOR by the end of the year, and that they will soon accept SOFR-based mortgages, should indicate to everyone that the LIBOR transition will accelerate.”

Per John C. Williams, New York Fed President and Chief Executive Officer:

“As the clock on LIBOR runs down, these crucial actions by the FHFA and GSEs will help buttress the mortgage industry in the transition. I applaud this decision, and encourage all others with LIBOR exposures to similarly prepare.”

New Single-Family Fannie/Freddie SOFR ARM Plans that will be available

ARM Product	Index	Max Margin (bps)	Fixed-Rate Period	Reset Period	First Rate Change Caps	Periodic Cap	Life Cap (Ceiling)
3-Year Hybrid (3yr/6m)	30-Day Avg. SOFR	300	3 years	6 months	+/- 2%	+/- 1%	Up to +5%
5-Year Hybrid (5yr/6m)	30-Day Avg. SOFR	300	5 years	6 months	+/- 2%	+/- 1%	Up to +5%
7-Year Hybrid (7yr/6m)	30-Day Avg. SOFR	300	7 years	6 months	+/- 5%	+/- 1%	Up to +5%
10-Year Hybrid (10yr/6m)	30-Day Avg. SOFR	300	10 years	6 months	+/- 5%	+/- 1%	Up to +5%

Links to Further Resources

Vining Sparks

Strategic Insight: [Transitioning from LIBOR—Latest Developments and Planning Steps](#)

Federal Housing Finance Authority

[FHFA LIBOR Transition Page](#)

Fannie Mae

[Fannie Mae Single-Family LIBOR Transition Announcement](#)

[Fannie Mae Multifamily LIBOR Transition Announcement](#)

Freddie Mac

[Freddie Mac Single-Family LIBOR Transition Announcement](#)

[Freddie Mac Multifamily LIBOR Transition Announcement](#)

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