

LIBOR Transition Educational Materials

This document describes transition milestones and Fannie Mae’s expectations for our business partners related to the upcoming **LIBOR transition to 30-Day Compounded Average SOFR** for Fannie Mae adjustable-rate mortgage loan products (“ARMs”). The New York Fed publishes the (30-Day compounded average) SOFR index [here](#).

LIBOR Transition Expectations

Fannie Mae began purchasing SOFR-indexed ARMs on September 1, 2020 and stopped purchasing and securitizing LIBOR-indexed ARMs at the end of 2020. Newly issued transactions are based on the 30-Day average SOFR index. Fannie Mae has developed SOFR-indexed offerings for the [Structured ARM \(“SARM”\)](#), ARM 7/6™, and Hybrid ARM products. In addition, Fannie Mae has developed a second capped SOFR-indexed ARM structure (ARM 5-5™) to ensure a broad range of financing solutions. The Multifamily Guide has been updated to reflect MF SOFR-indexed ARMs.

Our existing LIBOR-based loans will transition to 30-Day average SOFR following the June 30, 2023 cessation of the LIBOR index. After cessation, legacy LIBOR-indexed ARM products will be converted to a SOFR index at FNM’s determination that LIBOR is no longer representative or available.

Servicers should consult with their counsel to ensure they provide accurate notices to borrowers prior to the legally effective change to the replacement index. Pursuant to the timeline below, Fannie Mae will provide servicers with:

- Notification of LIBOR Discontinuation outlining servicer responsibilities to their respective borrowers and to Fannie Mae
- Draft borrower notification language that may be adapted for notice purposes

Timeline of Milestones and Announcements

Plan Date	Lender plan for borrower notification
January 2023	Shortly after the announcement of the specified 30-day average index, Fannie Mae will provide servicers with their first notice with the expectation that borrowers will be notified within 4-6 weeks.
March 2023	Fannie Mae will provide a second notice to servicers.
May 19, 2023	Final notification from Fannie Mae will be distributed six weeks in advance of the cessation date.
June 30, 2023	All USD LIBOR tenors will cease to be published after this date and all legacy LIBOR-indexed ARM products will be converted to a SOFR index.

Servicing MF SOFR-indexed ARMs

Servicers are required to manage ARM payments throughout the life of newly originated SOFR-indexed loans and any existing loans that have transitioned to the 30-Day average SOFR index. Servicing systems may require updates to manage calculations and reconciliations for borrower payments using the new index rate. Servicers must adjust interest accrual calculations for changes in the underlying index, reset periods, and subsequent caps.

Interest Rate Caps

The availability of third-party SOFR interest rate caps is necessary for offering and acquiring uncapped MF SOFR-indexed ARMs. Fannie Mae maintains a list of [approved Interest Rate Cap providers](#) to issue SOFR-indexed interest rate caps. Servicers should consult their respective interest rate cap agreements for specific language on the transition to SOFR. The borrower’s obligation to purchase replacement interest rate caps as required by the loan documents for existing LIBOR-indexed ARMs is unaffected.



Disclosure

Fannie Mae introduced new subtypes for 30-Day average SOFR, which are reflected in its existing MBS disclosure files. Index rate disclosure files now contain a new column titled “Current Month Payment Indicator” which contains a “Y” if the rate applies to the current month’s payment factor calculation and an “N” if it does not.

Supporting Documentation

- [LIBOR Transition Playbook](#)
- [LIBOR Transition FAQ](#)
- [The LIBOR Act](#) (refer to Division U within the larger consolidated appropriations legislation)
- [Fannie Mae LIBOR Transition Webpage](#)
- [LIBOR Transition News Archive](#)

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