



Multifamily Mortgage Business Lender Letter 20-02

February 05, 2020

To: Multifamily Lenders
From: Rob Levin, SVP, Multifamily Customer Engagement
Subject: Lender Letter 20-02 | Important Updates to Adjustable Rate Mortgage Loan Products

HIGHLIGHTS

The LIBOR index may no longer be available after 2021 as has been discussed by various regulatory and industry associations in the market. To prepare for a successful transition from LIBOR to the Secured Overnight Financing Rate (SOFR), Fannie Mae is taking the following steps:

- **Retirement of LIBOR ARM Loans:** By the end of 2020, we will no longer purchase Adjustable Rate Mortgage Loans using LIBOR as the Index.
- **SOFR ARM Loans:** We anticipate starting to purchase Adjustable Rate Mortgage Loans with embedded caps indexed by SOFR (SOFR Capped ARM Loans) no later than the fourth quarter of 2020.

We will provide additional information regarding the retirement of LIBOR ARM Loans and availability of SOFR Capped ARM Loans in the future.

Retirement of LIBOR ARM Loans

We will be ceasing the purchase of LIBOR ARM Loans in 2020. To be eligible for Delivery, all LIBOR ARM Loans must be designated as “Under Application” in the Deal Status field in DUS Gateway® on or before September 30, 2020. In addition, all LIBOR ARM Loans must be purchased on or before December 31, 2020 as Cash Mortgage Loans or MBS Mortgage Loans with an Issue Date on or before December 1, 2020.

This applies to all LIBOR ARM Loan and Structured ARM Loan plans, and also to all Hybrid ARM Loans.

SOFR-Capped ARM Loans

We anticipate beginning to accept Delivery of SOFR Capped ARM Loans as MBS Mortgage Loans or Cash Mortgage Loans no later than the fourth quarter of 2020. We believe and will confirm that the SOFR Capped ARM Loan will use an index based on a 30-day average of the SOFR, which will be published by the Federal Reserve Bank of New York.

Details related to available SOFR ARM plans will also be provided in the future.



Additional Information

We expect to announce additional details regarding SOFR Capped ARM Loans in the coming months, including:

- start dates for registration, Delivery and purchase;
- changes to eligibility, underwriting, and pricing (if applicable);
- new ARM Loan Schedules to the Multifamily Loan Agreement;
- impacts to DUS Gateway, C&D™, and other systems; and
- Committing and Delivery requirements, including timing.

Effective Date

This Lender Letter is effective February 05, 2020.

Contact Us

Please contact your Fannie Mae Deal Team with any questions.