

APM 20-12

September 21, 2020

MEMORANDUM FOR: All Participants in Ginnie Mae Programs**FROM:** Eric Blankenstein, Executive Vice President and Chief Operating Officer**SUBJECT:** Ineligibility of LIBOR Products for Single-Class MBS

In July 2017, the United Kingdom's Financial Conduct Authority (FCA) announced that it would cease requiring the submission of quotes supporting the London Interbank Offered Rate (LIBOR) by December 31, 2021. As a result, it is unclear whether LIBOR will continue to be published after that date. Ginnie Mae has worked closely with key stakeholders, including other federal agencies, to identify and implement a course of action that transitions the Ginnie Mae program away from LIBOR while minimizing disruption to the MBS Program and its participants. To that end, Ginnie Mae is announcing restrictions to the pooling eligibility of LIBOR-based adjustable rate loans as detailed below.

Restrictions on LIBOR-Based Single-Family Forward Adjustable Rate Mortgages (ARM)

Effective with security issuances dated on or after January 1, 2021, Ginnie Mae will stop accepting the delivery of loans for securitization into any pool type comprised of loans with any interest term based on LIBOR, including pool types "C RL", "C TL", "C FL", "C FB", "C SL", "C XL", "M RL", "M QL", "M TL", "M FL", "M FB", "M SL", and "M XL". Consequently, all single-family forward ARM loans that rely on LIBOR, including LIBOR-based ARM-to-ARM loan modifications and re-performing LIBOR-based ARMs, will become ineligible for pooling into any Ginnie Mae I or Ginnie Mae II security as of the effective date.

Restrictions on LIBOR-Based Adjustable Rate Reverse Mortgages [HECM/HMBS]

Effective with HMBS issuances dated on or after January 1, 2021, Ginnie Mae will restrict the eligibility of adjustable rate Home Equity Conversion Mortgage loans for securitization into any HMBS pool type that relies on LIBOR, including pool types "C AL" and "C ML". LIBOR-Based adjustable rate HECM loans that are not securitized as of January 1, 2021, will be ineligible for



pooling without regard to their date of origination or the date in which the corresponding FHA case number was assigned. Participations associated with a HECM loan that is backing HMBS with an issuance date on or before December 1, 2020, will continue to be eligible for securitization without restriction until further notice.

Chapter 26 and Chapter 35 of the MBS Guide, 5500.3, Rev-1, have been amended in accordance with this memorandum.

Forward and reverse adjustable rate mortgage loans that rely on the Constant Maturity Treasury (CMT) index continue to be eligible without restriction.

Ginnie Mae is ready to facilitate the creation of Single-Class MBS collateralized by pools containing Secured Overnight Financing Rate (SOFR) ARM and HECM loans when those loans become authorized by the insuring agencies.

Please contact your Ginnie Mae Account Executive in the Office of Issuer and Portfolio Management directly or at (202) 708-1535 with any questions you may have.