

May 30, 2023

APM 23-06

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: Alanna McCargo, President

SUBJECT: Transition from LIBOR to SOFR for Single Family Adjustable-Rate Mortgages

Publication of the representative USD London Interbank Offered Rate (LIBOR) will cease after June 30, 2023. In accordance with the Adjustable Interest Rate (LIBOR) Act, passed by Congress as a part of the Consolidated Appropriations Act, 2022 (Public Law 117-103) and the related regulations, existing LIBOR contracts without provisions for a replacement benchmark rate will transition to spread-adjusted rates based on the Secured Overnight Financing Rate (SOFR), as published by the Federal Reserve Bank of New York, to the CME Term SOFR published by CME Benchmark Administration Limited plus applicable transition spread adjustment (the Replacement Index).

ARMs originated with LIBOR as their benchmark rate will convert to the applicable Replacement Index, that is, the 12-month CME Term SOFR plus applicable transition spread adjustment on their first change date, or periodic adjustment date after June 30, 2023. Because ARM mortgages can have a change date of April 1, July 1, October 1, or January 1, Adjustable-Rate Mortgage-Backed Securities (MBS) will be in transition until the July 1, 2024, Change Date, at which time all LIBOR based mortgages and the associated MBS will have converted to the Replacement Index. In all cases, the interest rate of the MBS will transition in a manner consistent with the treatment of the MBS as a fixed investment trust for U.S. federal income tax purposes.

Newly originated ARMs must be based upon the Constant Maturity Treasury (CMT) Index to be eligible for pooling. Chapters 1 and 26; Appendices IV-21 (Ginnie Mae II MBS Adjustable-Rate Mortgages Prospectus), IV-26 (Ginnie Mae II Adjustable-Rate Mortgage-Backed Certificate Guaranteed by Ginnie Mae), IV-28 (Partial Statement of Terms); and Glossary of the Ginnie Mae Mortgage-Backed Securities Guide, HUD Handbook 5500.3, Rev-1 (MBS Guide) have



been updated to remove references to LIBOR indexed pools.

If you have any questions regarding this announcement, please contact your Account Executive in the Office of Issuer and Portfolio Management.



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