

Overview

Freddie Mac is purchasing nonconvertible SOFR-indexed ARMs under the ARM Cash and WAC ARM Guarantor programs.

The Secured Overnight Financing Rate (SOFR) Index is defined as “For ARMs, the Secured Overnight Financing Rate (SOFR) Index is the compounded 30-day Average SOFR as published by the Federal Reserve Bank of New York.” The Federal Reserve Bank of New York (New York Fed) publishes the SOFR Averages and SOFR Index each business day. For the most up-to-date SOFR indices, refer to the [Federal Reserve Bank of New York](#) website.

The sections below identify impacts to Loan Advisor tools including Loan Product Advisor® and Loan Selling Advisor® for SOFR ARMs.

Loan Product Advisor is the cornerstone of Freddie Mac’s Loan Advisor. It is our automated loan assessment system that indicates whether a mortgage will be eligible for purchase by Freddie Mac.

To submit SOFR-indexed ARMs through Loan Product Advisor, provide the following data points:

- Index Source Type (Unique ID 102.00) = Other. This data point is required for all eligible ARMs.
- Index Source Type Other Description (Unique ID 102.10) = 30 Day Average SOFR.

Note: For more information refer to the [Uniform Residential Loan Application & Uniform Loan Application Dataset](#) webpage.

Loan Selling Advisor is our all-in-one system that integrates secondary marketing functions, from pricing to contracting to funding to loan delivery, making it easier for sellers to deliver loans to Freddie Mac. Listed below are key tips to help you sell and deliver SOFR ARMs to Freddie Mac:

- SOFR ARMs adjust every 6 months, not every year.
- The initial fixed periods are 3, 5, 7 and 10 years.
- Margin Min = 1%, Margin Max = 3%
- The Margin will likely differ due to basis and other market-based adjustments.
- Lookback period = 45 days – no change
- Interest rate cap at first adjustment for 3 and 5 years = +/-2%, for 7 and 10 years = +/-5%
- Interest rate cap at subsequent adjustments = +/-1%.
- Life Cap = 5%

Loan Selling Advisor SOFR ARM Contract Products

Cash Execution

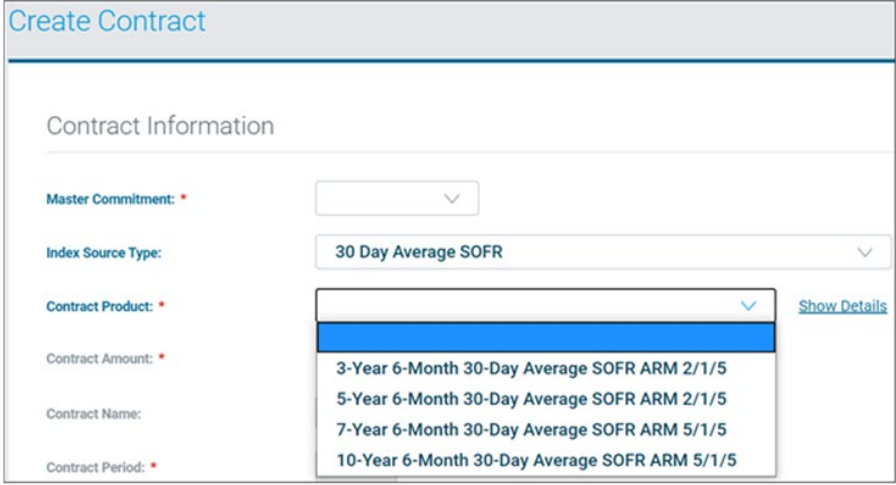
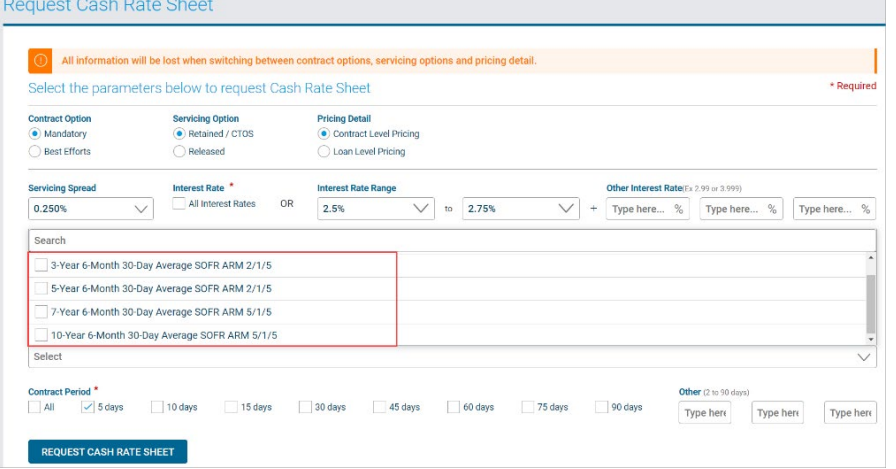
- 3-Year 6-Month 30-Day Average SFOR ARM 2/1/5
- 5-Year 6-Month 30-Day Average SOFR ARM 2/1/5
- 7-Year 6-Month 30-Day Average SOFR ARM 5/1/5
- 10-Year 6-Month 30-Day Average SOFR ARM 5/1/5

Guarantor Execution

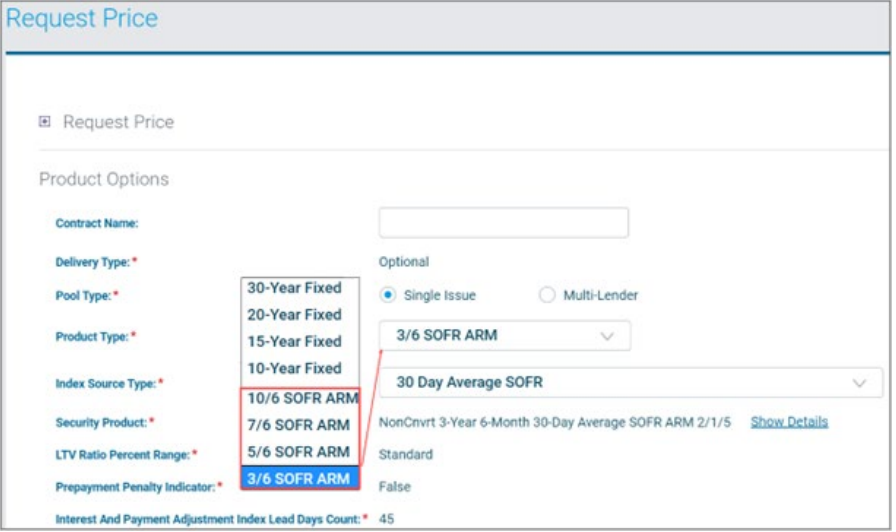
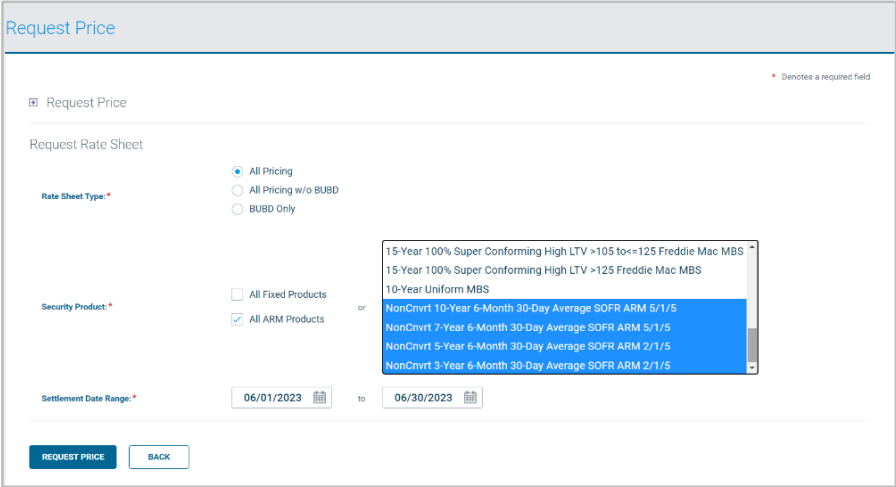
- 3/6 SOFR ARM – NonCnvt 3-Year 6-Month 30-Day Average SOFR ARM 2/1/5
- 5/6 SOFR ARM – NonConvrt 5-Year 6-Month 30-Day Average SOFR 2/1/5
- 7/6 SOFR ARM – NonConvrt 7-Year 6-Month 30-Day Average SOFR 5/1/5
- 10/6 SOFR ARM – NonCnvt 10-Year 6-Month 30-Day Average SOFR ARM 5/1/5



See the information below for examples of SOFR ARM contract types in Loan Selling Advisor:

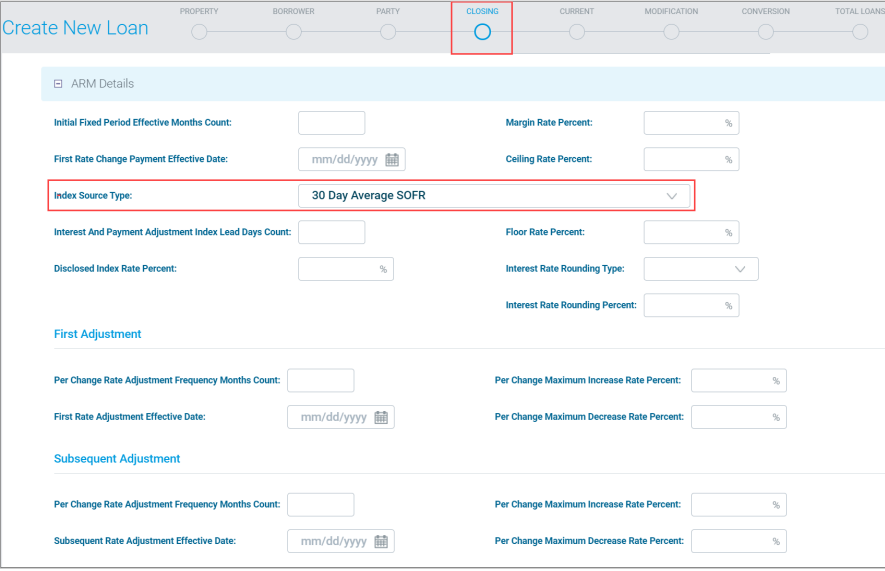
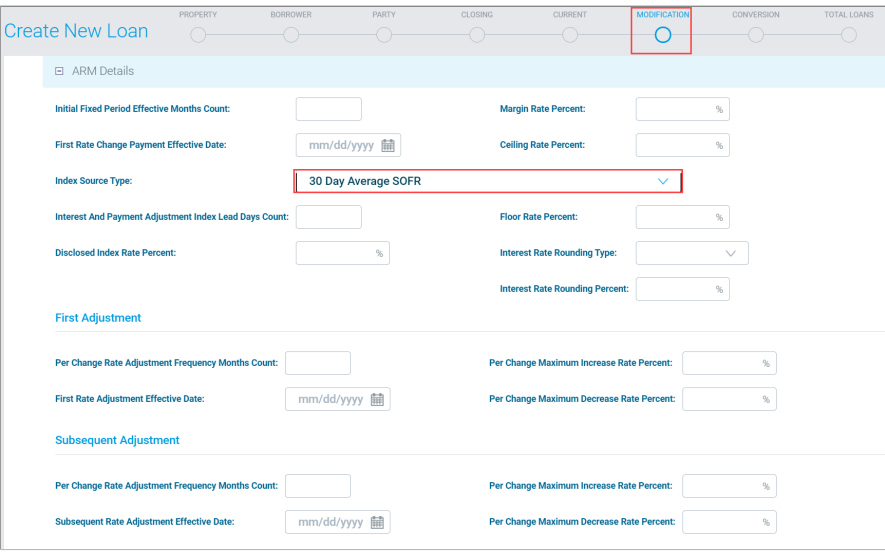
Cash Contracts	Example
<p>You can take out SOFR ARM Cash contracts and receive ASAP Funding when you take out a contract:</p> <ul style="list-style-type: none"> • Click the Index Source Type drop-down menu and select 30 Day Average SOFR • Click the Contract Product drop-down menu and select the applicable SOFR product <p>Cash contracts must be manually entered in the system.</p>	
Cash Rate Sheets	Example
<p>You have the option to create cash rate sheets for SOFR ARMs.</p>	



Guarantor Contracts	Example
<p>You can take out SOFR ARM Guarantor contracts. When you take out a contract, click the Product Type drop-down menu to select the applicable SOFR product and select an Index Source Type of 30 Day Average SOFR.</p> <p>Guarantor Contracts may be imported (using an XML file) or manually entered in the system.</p>	
Guarantor Rate Sheet	Example
<p>Create Guarantor Rate Sheets for SOFR ARM products.</p>	



You must deliver the ULDD Index Source Type (Sort ID 110) of 30 Day Average SFOR for SOFR ARM loans. The section below provides examples of the required ARM loan data delivery fields in Loan Selling Advisor.

Loan Page – Section Name	Example
<p>CLOSING Section, ARM Details, First Adjustment and Subsequent Adjustment</p>	
<p>MODIFICATION Section, ARM Details, First Adjustment and Subsequent Adjustment</p>	

Note: For **Freddie Mac Document Custodians**, as part of the note certification process, the Custodian must verify, for ARM Notes with the revision date “(rev. 2/20),” that the Lifetime Floor is equal to the ARM’s Margin as stated in the note. If it does not, the discrepancy will be reported in Loan Selling Advisor as a documentation issue (certification issue), and the note will not be certified for sale.



Resources

For more information on selling and delivering SOFR ARMs to Freddie Mac, refer to the following resources:

[LIBOR Transition Playbook](#)

[Freddie Mac's Prefix Library](#)

[Loan Product Advisor](#) (webpage)

[ULDD – Export Specification – Phase 4a](#)

[ULDD Appendix D – Import Specification](#)

[Loan Selling Advisor Import Guarantor Contract Specification](#)

Single Family Seller/Service Guide Bulletins, [2020-1](#), [2020-9](#) and [2020-13](#)

This information is not a replacement or substitute for the requirements in the Freddie Mac *Single-Family Seller/Service Guide* and your other Purchase Documents.

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