

Freddie Mac would like to provide tools to assist our clients in a seamless transition from LIBOR to SOFR. This SOFR Readiness Checklist includes recommended activities by milestone date to support your organization as you prepare your systems and processes for SOFR ARMs.

We will continue to refine this checklist in the coming months with more critical information when it is available. If you have any questions, reach out to the [Single-Family LIBOR Transition Team](#).

Important Dates to Remember

October 1, 2020

LIBOR ARMs with application received dates on and after this date will be ineligible for sale
Sellers may start underwriting SOFR ARMs with Loan Product Advisor®

November 9, 2020

Sellers can start taking out cash and guarantor contracts for SOFR ARMs in Loan Selling Advisor®

December 1, 2020

Earliest Settlement Date for SOFR ARM guarantor contracts

January 1, 2021

Freddie Mac will no longer purchase LIBOR ARMs

Checklist

General - Impact Analysis, Vendor Integration

- Identify impacted business processes, applications and tools that use an ARM Index
- Determine when partners and vendors will update systems, data feeds, screen displays, etc. for SOFR ARMs and what needs to be done to absorb the changes
- Determine testing needs and timeframes; align with partner and vendor testing and deployment; and determine if integrated testing with Freddie Mac is required

Origination and Underwriting

- Integrate the 30-day average SOFR uniform ARM Notes and Riders into your applicable processes, uniform instruments are available [here](#)
- Sellers submitting SOFR-indexed ARMs must populate Loan Product Advisor v4.8.01 Unique ID 60.00 ARMIndexType with "Other" and must populate Unique ID 61.00 ARMIndexTypeOtherDescription with "30DayAverageSOFR"
- Sellers submitting SOFR-indexed ARMs must populate Loan Product Advisor specification v5.0.06 Appendix A IndexSourceType = "Other" and IndexSourceTypeOtherDescription = "30DayAverageSOFR." The data point IndexSourceType will continue to be required for all ARMs. Effective with the Uniform Loan Application Dataset (ULDD)/Uniform Residential Loan Application (URLA) mandate date March 1, 2021
- Refer to the *Freddie Mac Single-Family Seller/Serviceer Guide (Guide)* for SOFR ARM eligibilities
- When using the Uniform Closing Dataset Sellers submitting SOFR-indexed ARMs will populate Unique ID 11.055 Index Type = "Other" and Unique ID 11.100 Index Type Other Description = SOFR



Selling and Delivery

- Sellers delivering SOFR-indexed ARMs will populate ULDD specification Appendix D Index Source Type [Sort ID 110] = "Other" and new data point Index Source Type Other Description [Sort ID 111] = "30-Day Average SOFR"
- Refer to new SOFR-indexed ARM Mortgage Products within Guide [Exhibit 17S](#) (11/9/2020 effective date or later)
- [Loan Selling Advisor Export Specification](#) updates
- Review [Import Guarantor Contract Specification](#) updates
- Refer to the Guide for ARM delivery and pooling requirements
- Sellers should be aware that as part of the note certification process, Freddie Mac will require that the Custodian verify, for ARM Notes with the revision date

Securitization and Servicing

- Incorporate new SOFR-indexed ARM PC 75-Day prefixes, see Freddie Mac's [pool prefix library](#)
- Review [Offering Circular for Mortgage Participation Certificates \(PCs\)](#)
- Update and test systems, reporting and other processes related to interest rate adjustment calculations
- Ensure that servicing transferees have the capability to service SOFR loans

Cessation of LIBOR

- Confirm LIBOR ARMs intended for sale to Freddie Mac do not have an Application Received Date after September 30, 2020 and are closed and sold to Freddie Mac on/before December 31, 2020

Resources

[LIBOR/SOFR Transition Timeline](#)

[LIBOR Transition Playbook](#)

[SOFR ARMs FAQs](#)

[Single-Family Seller/Serviceicer Guide](#)

[SOFR Indexed ARMs](#)

Transitioning Existing Single-Family LIBOR ARMs

Freddie Mac is continuing to work with the ARRC to define the timing and strategy for transitioning legacy LIBOR ARMs to an alternative reference rate, or ARR (e.g., a spread-adjusted SOFR). We are coordinating closely with FHFA on this important matter. Additional details will be released as the timeline and strategy are finalized. For updates on industry efforts to advance the legacy transition, refer to the ARRC's website.

This document is not a replacement or substitute for the requirements of the *Single-Family Seller/Serviceicer Guide (Guide)*, and/or terms of your Purchase Documents as defined in the Guide. This material summarizes detailed information that is provided in the Guide and other documents and is for quick reference only. You may not rely solely upon this material to access Freddie Mac systems. See the Guide and other Purchase Documents and contact your Freddie Mac representative for complete details. If Serviceicer has access to specific technology through contracted terms of business with Freddie Mac, Serviceicer must contact their assigned Servicing Account Manager to determine if updated contract terms are necessary.

