SOFR ARMs Fact Sheet

The Secured Overnight Financing Rate (SOFR), is based on actual transactions in the Treasury repurchase (repo) market, one of the largest markets in the world. This is the market where investors offer borrowers overnight loans backed by their U.S. Treasury bond assets.

The Alternative Reference Rates Committee (ARRC) has selected SOFR as the preferred alternate index for U.S. dollar-denominated LIBOR contracts. SOFR is based on actual transactions in a market where extensive trading happens every day, whereas LIBOR is based on an average of estimates of interbank borrowing rates in the London market provided by a panel of global banks surveyed by the Intercontinental Exchange. SOFR complies with the governance standards of the International Organization of Securities Commissions (IOSCO).

The Federal Reserve Bank of New York (New York Fed) began publishing SOFR in April 2018 as part of the effort to replace LIBOR. The New York Fed, as administrator of SOFR and in cooperation with the Treasury Department’s Office of Financial Research, began publishing 30-, 90-, and 180-day compound SOFR Averages as well as an overnight SOFR index rate. These indices are available here. For their new Single-Family SOFR ARMs, Freddie Mac and Fannie Mae (the GSEs) will use the 30-day compounded SOFR average which the New York Fed began publishing on March 2, 2020.

Potential users of the SOFR Averages and Index can subscribe here to receive alerts and updates from the New York Fed.
General Requirements

- 3/6-month, 5/6-month, 7/6-month and 10/6-month SOFR-indexed ARMs.
- For all SOFR-indexed ARMs, the margin must be equal to or greater than 100 basis points and less than or equal to 300 basis points.

<table>
<thead>
<tr>
<th>Transaction Type</th>
<th>Credit Fees In Price</th>
<th>Down Payment or Closing Cost</th>
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</thead>
<tbody>
<tr>
<td>• Purchase</td>
<td>• Credit Fees in Price may apply based on the individual characteristics of the mortgage. See Guide Exhibit 19 for details on applicable fees.</td>
<td>• Secondary financing</td>
</tr>
<tr>
<td>• No cash-out refinance</td>
<td></td>
<td>• Shared equity plans</td>
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<tr>
<td>• Cash-out refinance</td>
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</tbody>
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Eligible Mortgages

- Home Possible® Mortgages may be 7/6-month and 10/6-month ARMs only if secured by 1- to 4-unit property; 5/6-month ARMs are only allowed if secured by 1- to 4-unit property other than a manufactured home.
- Financed Permanent Buydown (5/6-month, 7/6-month and 10/6-month ARMs only).
- Construction conversion mortgages, renovation mortgages, and mortgages secured by manufactured homes (7/6-month and 10/6-month ARMs only).
- Manufactured Homes (7/6-month and 10/6-month ARMS only)
- ARMs secured by investment properties are eligible for sale if the borrower owns only one financed investment property. If the borrower owns more than one financed investment property, the investment property mortgage sold to Freddie Mac must be a 7/6-month or 10/6-month ARM.
- CHOICEHome™ eligible ARMs are 5/6-month, 7/6-month and 10/6-month ARMs (see Guide Section 5703.9).
- CHOICERenovation™ Mortgages must be First Lien Mortgages and may be any Mortgage Product or offering eligible under this Guide, including Home Possible® Mortgages, unless specifically described in Guide Section 4607.2.
- GreenCHOICE MortgagesSM see Guide Chapter 4606 for details.

Maximum LTV Ratios

- SOFR-indexed ARMs must comply with the maximum LTV ratios in Guide Section 4203.4.

Underwriting Requirements

- SOFR-indexed ARMs may be manually underwritten.
- On and after October 1, 2020, SOFR-indexed ARMs may be submitted to Loan Product Advisor®

Property Type/Eligible Properties

- 1- to 4-unit primary residences, including condominiums, PUDs and manufactured homes
- Second homes
- 1- to 4-unit investment properties

Execution and Delivery Requirements

- Sellers will be able to take out 30-day average SOFR Cash Contracts in Loan Selling Advisor® to deliver SOFR-indexed ARMs beginning November 9, 2020.
- Sellers will be able to take out 30-day average SOFR guarantor contracts in Loan Selling Advisor to deliver mortgages into a WAC ARM PC beginning on November 9, 2020 for mortgages with settlement dates on and after December 1, 2020. See Guide Section 6302.7(b) for special delivery instructions for SOFR-indexed ARMs.
Learn more about LIBOR-SOFR:

- Review revised Guide Sections 4401.2 through 4401.5 and 4401.8 for ARM eligibility requirements related to SOFR-indexed ARMs and Section 4401.9 and Exhibit 19, Credit Fees in Price, for information on the ARM Credit Fee in Price applicable to the sale of certain ARMs and other Credit Fees in Price.
- Visit the Uniform Instruments web page.
- Contact your Freddie Mac account executive.
- Call the Customer Support Contact Center at (800-FREDDIE).