



Lender Letter LL-2019-05

May 17, 2019

To: All Fannie Mae Single-Family Sellers Purchase of Certain LIBOR Adjustable-Rate Mortgage Loans

We currently offer several adjustable-rate mortgage (ARM) plans that are tied to the London Interbank Offered Rate (LIBOR) index. It has been widely communicated in the industry that the LIBOR index may no longer be available after 2021. Industry efforts are underway to identify and transition from LIBOR to a set of alternative reference rates.

In light of the eventual discontinuance of the LIBOR index and in consultation with the Federal Housing Finance Agency, we are announcing a new policy related to the acquisition of certain LIBOR ARM loans. Effective immediately, all LIBOR ARM loans must be purchased or securitized by Fannie Mae no later than six months from the first payment date of the loan. For example, if the first payment date is January 1, whole loans must be purchased before July 1, or securitized in MBS with issue dates no later than June 1.

In the June *Selling Guide* update, we will modify the policy that allows for the acquisition of seasoned ARM loans (older than 12 months) on a negotiated basis. Going forward, we will not purchase or securitize any LIBOR ARM loans older than six months on a “flow” or negotiated basis.

NOTE: *This new policy does not impact our acquisition of newly originated LIBOR ARM loans that are seasoned six months or less, which we continue to purchase and securitize as part of normal course of business. This new policy also does not impact our ability to purchase fully-guaranteed securities traded in the secondary market that are backed by LIBOR ARM loans, regardless of seasoning or issuance date.*

Effective Date

This policy change is effective immediately.

Lenders who have questions about this Lender Letter should contact their Fannie Mae Account Team.

Malloy Evans
Senior Vice President and
Chief Credit Officer for Single-Family