

FHA Publishes Final Rule: Transitioning from LIBOR to Alternate Indices for HUD's Adjustable Rate Mortgages

Today, the Federal Housing Administration (FHA) published the *Adjustable Rate Mortgages: Transitioning from LIBOR to Alternate Indices* final rule ([Docket No. FR-6151-F-03](#)) in the Federal Register. In the final rule, FHA establishes the spread-adjusted Secured Overnight Financing Rate (SOFR) as a Secretary-approved index for the transition of existing FHA-insured adjustable rate mortgages (ARMs) from the London Interbank Offered Rate (LIBOR) index after the one-year and one-month LIBOR indices cease to be published after June 30, 2023.

Also, the final rule updates the regulations by:

- Removing LIBOR and approving SOFR as a Secretary-approved index for newly originated forward ARMs;
- Codifying the same changes made for newly originated reverse Home Equity Conversion Mortgages (HECM) ARMs that were published in [Mortgagee Letter 2021-08](#);
- Making clarifying regulatory changes to the requirements for monthly adjustable HECM ARMs; and
- Establishing a ten percentage points maximum lifetime adjustment cap for monthly adjustable HECM ARMs.

FHA is publishing this final rule after carefully considering all public comments received to its proposed rule published in the Federal Register on October 19, 2022. FHA's updated transition policy for LIBOR-based ARMs will now generally align with Fannie Mae, Freddie Mac, and Ginnie Mae's policies replacing LIBOR with the SOFR index.

FHA will soon publish a Mortgage Letter that provides implementation guidance for the provisions in the final rule.

The regulations in this final rule are effective on March 31, 2023.