

UMDP Updates to Support SOFR ARM Index Transition

March 10, 2020

On February 5, 2020, Fannie Mae and Freddie Mac (the GSEs) announced updates to their Single-Family adjustable-rate mortgage (ARM) products, including the future purchase of ARMs indexed to the 30-day average of the Secured Overnight Financing Rate (SOFR).

In response to the pending discontinuation of the London Interbank Offered Rate (LIBOR) index after 2021, and under the guidance of the Federal Housing Finance Agency (FHFA), the GSEs will no longer acquire Single-Family ARMs indexed to LIBOR as of the end of 2020.

As a result, the GSEs are building a suite of ARM products based on SOFR, the replacement index recommended by the [Alternative Reference Rates Committee](#) (ARRC). The GSEs will begin accepting whole loan and MBS delivery of SOFR ARMs sometime during the second half of 2020. The GSEs will announce eligibility and selling requirements for SOFR-based ARMs in upcoming lender communications.

To support the transition to SOFR-indexed ARMs, we are updating certain Uniform Mortgage Data Program (UMDP) datasets with new SOFR data as outlined in the sections below. Additionally, implementation notes will be updated with the following LIBOR ARM retirement and delivery eligibility information:

- LIBOR ARMs must have an Application Received Date on or before September 30, 2020, and
- (Fannie Mae) All LIBOR-indexed ARMs must be purchased as whole loans on or before December 31, 2020, or in MBS pools with issue dates on or before Dec. 1, 2020, regardless of Application Received Date or Note Date.
- (Freddie Mac) All LIBOR-indexed ARMs must be purchased on or before December 31, 2020, regardless of the Application Received Date or Note Date.

Uniform Residential Loan Application (URLA) / Uniform Loan Application Dataset (ULAD)

Because ARM indexes are not displayed on the URLA, updates to the ULAD are not necessary. However, the GSEs will implement the following changes to their automated underwriting systems in anticipation of the availability of SOFR-indexed ARMs later this year. Lenders are **not required** to implement these AUS specification changes but should consider their individual needs if they intend to originate SOFR-indexed ARMs. The URLA frequently asked questions (FAQs) will be updated to help guide the use of SOFR.

Fannie Mae Desktop Underwriter® (DU®)

The DU Specification MISMO V3.4 (DU Spec) will be updated as follows:

- Add an enumeration “30DayAverageSOFR” to IndexSourceTypeOtherDescription and change the conditionality to optional.
- Legacy DU data specifications (Residential Loan Data Format 1003, V. 3.2 and MISMO AUS V. 2.3.1 Underwriting Requirements Specification) will not be updated to support SOFR ARMs as ARM Indexes are optional data points.

Freddie Mac Loan Product Advisor®

Loan Product Advisor specification v5.0.06 *Appendix A* will be updated as follows:

- Add an enumeration “30DayAverageSOFR” to IndexSourceTypeOtherDescription.
- The new index will be delivered using IndexSourceType = “Other” plus IndexSourceTypeOtherDescription = “30DayAverageSOFR”. The data point IndexSourceType will continue to be required for all ARMs.
- Loan Product Advisor specification v4.n data requirements will not be updated to support SOFR ARMs. SOFR ARMs will only be available in the Loan Product Advisor specification v5.0.06.

Uniform Closing Dataset (UCD)

No UCD specification updates are planned. However, the frequently asked questions (FAQs) will be updated to help guide the use of SOFR in IndexType and IndexTypeOtherDescription.

Uniform Loan Delivery Dataset (ULDD)

Each GSE will update its respective ULDD Appendix D - XML Data Requirements Reference Tool as follows:

- (Fannie Mae and Freddie Mac) Add an enumeration “30DayAverageSOFR” to IndexSourceTypeOtherDescription.
- (Freddie Mac) Add an enumeration “Other” to IndexSourceType.
- (Freddie Mac) Add a new data point “IndexSourceTypeOtherDescription”. The new index will be delivered using IndexSourceType = “Other” plus IndexSourceTypeOtherDescription = “30DayAverageSOFR”.

Resources

- Freddie Mac Seller/Servicer Guide [Bulletin 2020-1](#)
- Fannie Mae Lender Letter [LL-2020-01](#)
- Fannie Mae [LIBOR to SOFR Transition web page](#)
- Freddie Mac [article and timeline](#)

Additional Information

If you have questions about the UMDP dataset updates, please contact your GSE representative.

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- UCD - UCD@FannieMae.com or UCD@FreddieMac.com
- ULDD - ULDD_mailbox@FannieMae.com or ULDD@FreddieMac.com