



FHA INFO 2023-36

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Transition of LIBOR to Alternate Indices for FHA Single Family Adjustable Rate Mortgages

Today, the Federal Housing Administration (FHA) published [Mortgagee Letter \(ML\) 2023- 09, Adjustable Rate Mortgages \(ARMs\): New Secretary-Approved Interest Rate Indices and Requirements for Transitioning from the London Interbank Offered Rate \(LIBOR\) Index](#).

This ML implements the provisions of the Adjustable Rate Mortgages: Transitioning from LIBOR to Alternative Indices [[Docket No. FR-6151-F-03](#)] final rule that was published in the Federal Register on March 1, 2023. In the final rule, FHA established the spread-adjusted Secured Overnight Financing Rate (SOFR) as a Secretary-approved index. The ML provides direction to mortgagees on using the applicable Refinitiv USD IBOR Consumer Cash Fallback (“Refinitiv”) transition spread-adjusted SOFR tenor for transitioning existing ARM from LIBOR to SOFR and the specific SOFR index for use in new ARM originations in Single Family Title II programs, including the Home Equity Conversion Mortgage (HECM) program.

In addition, for monthly HECM ARM, FHA is also establishing the maximum lifetime note rate of up to ten percent of the initial note rate in accordance with the final rule.

FHA is also announcing the availability of updated HECM model documents, revised to be consistent with the final rule and ML, and to provide fallback language for future transition index transition events. The updated model documents may be found on the [Single Family Model Documents](#) web page on hud.gov.

The provisions in this ML have various effective dates. Mortgagees are advised to carefully review this ML for the FHA-insured forward and HECM ARM policy effective dates.

The policy updates in this ML will be incorporated into a future version of the [Single Family Housing Policy Handbook 4000.1](#).

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- Visit our knowledge base to obtain answers to frequently asked questions 24/7 at www.hud.gov/answers.

- E-mail answers@hud.gov. Emails and phone messages will be responded to during normal hours of operation, 8:00 AM to 8:00 PM (Eastern), Monday through Friday on all non-Federal holidays.
- Call 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.

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