



FHA INFO #21-13

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LIBOR Index Removal and SOFR Index Approval for New HECM ARMs and Other Changes for HECM ARM Originations

Today, the Federal Housing Administration (FHA) published [Mortgagee Letter \(ML\) 2021-08, Home Equity Conversion Mortgage \(HECM\) Program – Changes to Interest Rate Requirements Including Removal of the London Interbank Offered Rate \(LIBOR\) Index](#).

This ML implements the following changes to the requirements for originating HECM adjustable interest rate mortgages:

- Removes approval for use of the LIBOR index for adjustable interest rate HECMs;
- Approves the Secured Overnight Financing Rate (SOFR) index and permits mortgagees to commingle index types for newly originated annual adjustable interest rate HECMs when establishing the expected average mortgage interest rate using the U.S. Constant Maturity Treasury (CMT) and the initial mortgage interest rate (Note rate) and periodic Note rate adjustments using the SOFR index; and
- Sets zero as the “floor” for the index value used to determine the Note rate to mitigate against uncertainty and risks posed by negative index rates.

This ML also announces new model Note language, which is included in the revised model loan documents (first and second HECM Adjustable Interest Rate Notes) and incorporates the changes described in the ML. The revised model loan documents are available on the [Single Family Mortgages Model Documents](#) web page.

ML 2021-08 establishes the timeline for discontinuing the eligibility of FHA insurance for new LIBOR-based adjustable interest rate HECMs. However, when originating LIBOR-based adjustable interest rate HECMs, it is important for mortgagees to consider the requirements of the HECM investor and Ginnie Mae’s [All Participant Memorandum 20-19](#) regarding the March 1, 2021, deadline for making LIBOR-based adjustable interest rate HECM products ineligible for Ginnie Mae securitizations.

Quick Links

- Mortgagee Letters:
www.hud.gov/program_offices/administration/hudclips/letters/mortgagee
- Single Family Mortgages Model Documents:
www.hud.gov/program_offices/housing/sfh/model_documents
- Ginnie Mae's All Participant Memorandums:
www.ginniemae.gov/issuers/program_guidelines/Pages/mbsguideapmslib.aspx

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- 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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