



Federal Housing Finance Agency

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July 28, 2021

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
United States House of Representatives
Washington, D.C. 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, D.C. 20515

The Honorable Brad Sherman
Chair
Subcommittee on Investor Protection,
Entrepreneurship, and Capital Markets
United States House of Representatives
Washington, D.C. 20515

The Honorable Bill Huizenga
Ranking Member
Subcommittee on Investor Protection,
Entrepreneurship, and Capital Markets
United States House of Representatives
Washington, D.C. 20515

Dear Chairs and Ranking Members:

We appreciate your request for our views on H.R. 4616 – the “Adjustable Interest Rate (LIBOR) Act of 2021.” The Federal Housing Finance Agency (FHFA) supports Congress’ efforts to enhance market stability and transparency associated with the London Interbank Offered Rate (LIBOR) transition through this bill. We further support the bill’s naming of the Alternative Reference Rate Committee’s (ARRC’s) recommended Secured Overnight Financing Rate (SOFR) as the benchmark to be used during for the transition away from LIBOR for legacy financial products including mortgages.

As you know, the FHFA’s regulated entities insure over \$7 trillion dollars of mortgages. FHFA’s regulated entities have in the past issued, purchased or insured many products tied to LIBOR including Adjustable-Rate Mortgages tied to LIBOR (LIBOR ARMs). Many of these legacy LIBOR ARMs products do not have adequate language that identifies a replacement should LIBOR no longer be produced or representative. We believe this Federal legislation will provide clarity and certainty to mortgage borrowers with LIBOR ARMs and to other market participants with exposure to this benchmark rate as they transition away from LIBOR. Accordingly, FHFA supports this legislative effort.

FHFA has participated in the work of the ARRC as an Ex Officio non-voting member. We agree with the ARRC's recommendation of SOFR as the best replacement for LIBOR. As I recently testified before your committee, FHFA has worked proactively since 2017 to ensure its regulated entities, Fannie Mae, Freddie Mac, and the Federal Home Loan Banks successfully transition away from LIBOR-based financial products. That transition is nearly complete. With some very limited exceptions, FHFA's regulated entities no longer offer LIBOR-based products. All FHFA's regulated entities offer SOFR-based products.

Thank you for soliciting our views on this legislation. We stand ready to offer technical assistance should your staff request such assistance.

Sincerely,

A handwritten signature in black ink that reads "Daniel E. Coates". The signature is written in a cursive, flowing style.

Daniel E. Coates
Senior Advisor to the Acting Director and
FHFA Representative to the Alternative Reference Rates Committee