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Preview

New Agency 7/6-Month SOFR ARM

Truist Bank (Truist) announces our upcoming release of the new Agency 7/6-Month Secured Overnight Financing Rate (SOFR) adjustable rate mortgage (ARM) product under the following Agency loan programs:

- Standard Agency
- Agency Plus
- HomeReady®
- Home Possible®
- Texas Section 50(a)(6)

We also provide a reminder regarding the retirement of all Agency London Interbank Offered Rate (LIBOR) ARM products.

Effective Dates

- The Agency 7/6-Month SOFR ARM product will be available for registrations and/or locks starting tomorrow, October 1, 2020 on our LendingSpace platform.
- All Agency LIBOR ARM products retire today, September 30, 2020. See the “Bulletin Details” section below for additional information.

Background Information

In anticipation of the retirement of the LIBOR-index (previously announced in [COR20-033](#)), Fannie Mae and Freddie Mac introduced new SOFR-indexed ARM products. We reviewed the new SOFR ARM offerings and identified the opportunity to add a 7/6-Month SOFR ARM, as a replacement product, under all Agency loan programs that previously offered a 7/1 LIBOR ARM product. We plan to expand our suite of Agency SOFR ARM product offerings in 2021.

Bulletin Details

Introducing the Agency 7/6-Month SOFR ARM

Beginning October 1, 2020, a fully amortizing 7/6-Month SOFR ARM product will be available for registrations and/or locks (on our LendingSpace platform) under the following Agency loan programs:

- Standard Agency
- Agency Plus
- HomeReady
- Home Possible
- Texas Section 50(a)(6)

ARM parameters specific to the Agency 7/6-Month SOFR ARM are as follows:

Topic	7/6-Month SOFR ARM Parameters
Conversion Option	A conversion option is not available; the 7/6-Month SOFR ARM product is non-convertible
Index	The 30-day average of the Secured Overnight Financing Rate index as published by the Federal Reserve Bank of New York
Interest Rate Adjustments	Following the initial seven year fixed rate period (i.e., 84 months), subsequent interest rate adjustments will occur every 6 months thereafter
Interest Rate Caps	<ul style="list-style-type: none">• 5% cap, up or down, on the initial change• 1% cap, up or down, on each subsequent 6-month change thereafter• 5% lifetime cap (over the note rate)
Margin/Floor	3.00%

Product Release



Information for Correspondent Lenders of Truist Bank
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Bulletin Details, continued

[Introducing the Agency 7/6-Month SOFR ARM, continued](#)

Fannie Mae and Freddie Mac eligibility requirements (i.e., LTV/TLTV/HTLTV ratios, loan purpose, occupancy, property type, qualifying rates, etc.) that applied for Agency 7/1 LIBOR ARMs, apply to the new Agency 7/6-Month SOFR ARM product.

Except as outlined on the Correspondent Agency Overlay Matrix (*inclusive of the temporary COVID-19 related restrictions previously announced in [COR20-015](#) that will now also apply to 7/6-Month SOFR ARM transactions*), Truist guidelines align with Fannie Mae and Freddie Mac requirements for the 7/6-Month SOFR ARM product. Impacted guideline documents have been revised to reflect the new Agency 7/6-Month SOFR ARM product offering and are accessible under the “Revised Materials” section below.

[Retirement of Agency LIBOR ARMs](#)

As previously announced in [COR20-033](#), all Agency LIBOR ARM loan products retire today, September 30, 2020. All Agency LIBOR ARM loan applications must be dated on or before September 30, 2020. Additionally, to meet Fannie Mae and Freddie Mac’s delivery date requirements, we are imposing a November 30, 2020 purchase (by Truist) cut-off date.

[Revised Materials](#)

Click [Automated Underwriting](#), [Agency Loan Programs](#), [Fannie Mae HomeReady®](#) and [Freddie Mac Home Possible® Mortgages](#), [Texas Section \[50\(a\)6\] Mortgages](#), and [Correspondent Agency Overlay Matrix](#) to review the revised product materials.

Note: At this time, Agency LIBOR ARM guidelines remain in the above referenced product materials. Once our pipeline of Agency LIBOR ARM loans is complete, we will remove all Agency LIBOR ARM product references from impacted guideline documents.

Former Guidelines

We did not previously offer a 7/6-Month SOFR ARM as a part of our Agency product offerings.

Other Resources

Support Group	Description and Contact Information:
Correspondent Relations Coordinator	Specific questions on applying this procedure to specific loan files. Contact Correspondent Relations Coordinators at 800.382.2111, Option 1.
Product Support	Provides phone and email support on products, policies, and procedures as well as new product rollout and existing product enhancement. Contact Product Support at 800.382.2111, option 3.

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