

Servicing Notice

Updated: Oct. 20, 2021

Cost of Funds Replacement Index

We previously communicated that the Federal Home Loan Bank of San Francisco (FHLBank) announced it would cease publication of its 11th District Monthly Weighted Average Cost of Funds Index (COFI) after the publication of the Dec. 2021 COFI in Jan. 2022. We also announced our selection of a replacement index to be used for the servicing of legacy COFI mortgage loans, called the Enterprise 11th District COFI Replacement Index. This index will be based on the Federal Cost of Funds Index plus a spread adjustment. Freddie Mac will publish this replacement index on the last business day of every month, beginning with the Jan. 2022 index on Feb. 28, 2022.

Oct. 20 update: In anticipation of Feb. 2022, we are providing a link to Freddie Mac's [web page](#) where the Enterprise 11th District COFI Replacement Index will be posted. A downloadable test file will be available from Oct. 20, 2021 to Feb. 27, 2022. The data provided during this time is intended for test purposes only and must not be used to determine any actual rate change.

Impact on Loan Servicing

As a reminder, Fannie Mae has not acquired mortgage loans based on the COFI index in many years and previously removed references to COFI ARM plans from our *Selling Guide*. Most Fannie Mae COFI ARM notes (for plans 681, 682, 760, and 761) contained standard index replacement language for determining the index when COFI is no longer available. For these mortgage loans, servicers must use the Enterprise 11th District COFI Replacement Index to determine the new rate for interest rate adjustments with a lookback date that occurs after Jan. 2022.

Some servicers may also service legacy COFI mortgage loans closed on non-standard documents. We encourage servicers to identify these mortgage loans closed on non-standard documents that provide for variations in selecting a replacement index, or in calculating the margin after COFI has been retired, so they are prepared in advance of the COFI expiration. There may be operational or other impacts based on these non-standard documents.

Servicers must continue to provide borrowers notice of all interest rate and payment changes as described in the *Servicing Guide*, [C-2.1-02](#), Notifying the Borrower Regarding Interest Rate and/or Payment Changes.

For additional information and resources regarding the COFI transition, see our [COFI Playbook](#) and [COFI FAQs](#).

Servicers who have questions about this Notice should contact their Fannie Mae Account Team, Portfolio Manager, or Fannie Mae's Single-Family Servicer Support Center at 1-800-2FANNIE (1-800-232-6643). Have Guide questions? Get answers to all your policy questions straight from the source. [Ask Poli](#).