



Servicing Notice

Jun. 9, 2021

Cost of Funds Replacement Index

We previously communicated that the Federal Home Loan Bank of San Francisco (FHLBank) announced that 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. In anticipation of this date, we are announcing 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. A link to this information will be provided prior to its publication next year.

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*. The majority of 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 that were 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.

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).