

# LIBOR Index FAQs

Before reviewing the LIBOR frequently asked questions, it may be helpful to learn more about adjustable-rate mortgages by reviewing information from the CFPB:

[https://files.consumerfinance.gov/f/documents/cfpb\\_charm\\_booklet.pdf](https://files.consumerfinance.gov/f/documents/cfpb_charm_booklet.pdf)

## **Why is the LIBOR index going away?**

LIBOR is based on transactions that don't occur as often as they did in prior years. The regulators that oversee LIBOR have stated that they can't guarantee LIBOR will be available beyond June 2023. Banks, financial institutions and governments across the globe have been working to identify options for replacing LIBOR.

An index based on SOFR will be used to determine the interest rate when your loan has its regular interest rate adjustment after June 2023. Until then, your interest rate will continue to be based on the LIBOR index [Future of LIBOR UK article](#)

## **Does the change to LIBOR only impact LMCU loans?**

No. All loans and financial products that are based on LIBOR are affected.

## **What is LMCU doing about the changes to LIBOR?**

We are working closely with lenders, servicers, our regulators, and our investors to develop a transition plan to the replacement index that is fair and transparent. We are also monitoring information made available by the ARRC during this transition.

## **What is the ARRC?**

ARRC is a group of private market participants created by the Federal Reserve to help ensure a successful transition from LIBOR. You can learn more about ARRC from their website: <https://www.newyorkfed.org/arrc>.

## **What index will replace LIBOR?**

It is expected that the SOFR (Secured Overnight Financing Rate) index will replace LIBOR for most ARM loans. SOFR is the replacement rate recommended by the Alternative Reference Rates Committee (ARRC). You can view SOFR index rates [here](#). We will keep you informed of all changes to your loan, including the replacement rate.

For more information on the discontinuation of LIBOR, see the ARRC website:

<https://www.newyorkfed.org/arrc>.

## **When will my adjustable-rate mortgage change to the new index?**

If your loan is based on the LIBOR index, the SOFR based index will be used to determine the interest rate when your loan has its regular interest rate adjustment after June 2023. Until then, your interest rate will continue to be based on the LIBOR index.

## **How will you keep me informed about changes to my loan?**

We want to ensure you have the information you need during this transition. We will:

- Post updates to LMCU.org as new information becomes available.
- Deliver information by mail as the transition approaches.
- Send updates by email before LIBOR ends. Make sure your contact information is current on LMCU.org to ensure you receive these updates.
- Send updates by mail and email when your loan is updated to the SOFR index, and as your new interest rate and payment effective dates get closer.

## **Will the change to the SOFR index increase my payment?**

The change to the SOFR index alone won't necessarily increase your monthly payment.

With any adjustable rate mortgage loan, the interest rate (and therefore the payment) can increase whenever you have a scheduled interest rate adjustment, regardless of the index used. For more information about how ARM payments are calculated, [click here](#).

## **What if I can't afford my payment?**

If you're concerned about your ability to make your payment and are interested in a new loan, please visit our website at <https://www.lmcu.org/personal/borrow/mortgages/> to review options or call us toll free at 844-754-6280 to speak to a loan officer. If you are experiencing financial difficulty, speak to one of our mortgage loan counselors at 844-754-6280 ext. 9931.

## **Can the mortgage index be changed without my permission?**

The original loan documents (specifically the note), allow for the index of an adjustable rate mortgage to change if the index is no longer available.

## **Should I get a new mortgage loan?**

You don't have to get a new mortgage because of this change, however, it may be a good time to review your mortgage to determine if it still meets your financial needs. If your financial goals have changed or you are looking for a stable payment amount or the benefit of a lower interest rate, a new loan might be right for you. If you are interested in reviewing options for a new mortgage, visit our website at <https://www.lmcu.org/personal/borrow/mortgages/> or call us toll free at 844-754-6280 to speak to a loan officer today.

## **Does this change affect fixed-rate mortgage loans?**

No. Mortgages with a fixed rate will not be impacted directly by the transition away from the LIBOR index.

**Are new ARM loans based on LIBOR?**

LMCU no longer offers new adjustable-rate mortgages based on the LIBOR index. If you are interested in reviewing options for a new mortgage, visit our website at <https://www.lmcu.org/personal/borrow/mortgages/> or call us toll free at 844-754-6280 to speak to a loan officer today.

**Will anything else about my ARM change?**

All other details about your adjustable rate mortgage loan will remain the same.

**Will my interest rate adjust sooner than originally scheduled because of this change?**

No. The timing of your interest rate adjustment will not change, and your interest rate will continue to be based on the LIBOR index, for adjustable rate loans originated through June 2023.

Example 1: A 7/1 ARM was originated in 2020. The first interest rate adjustment will occur in 2027. The interest rate on this loan will remain the same and be based on the LIBOR index until 2027.

Example 2: An ARM loan has an interest rate adjustment every year in November. The interest rate on this loan will remain the same and be based on the LIBOR index until November 2023