

Fast Facts: 2023 LIBOR Transition Interim Final Rule

Rule Summary: The 2023 LIBOR Transition Interim Final Rule (LIBOR IFR) updates certain provisions in the CFPB’s 2021 LIBOR Transition Rule in Regulation Z, 12 CFR Part 1026. Generally, the LIBOR IFR updates the 2021 LIBOR Transition Rule to make changes consistent with the Adjustable Interest Rate Act of 2021 (LIBOR Act), enacted in March 2022, that 1) conform the terminology used to identify the replacement indices and 2) add an example of a 12-month LIBOR tenor replacement index that meets the certain standards in Regulation Z.

Effective date: May 15, 2023

Comments due: 30 days from publication in the *Federal Register*

Available at: www.consumerfinance.gov/rules-policy/final-rules/facilitating-the-libor-transition-consistent-with-the-libor-act-regulation-z/.

About this document: The CFPB has issued an Interim Final Rule to amend Regulation Z at 12 CFR Part 1026 to update various provisions related to the LIBOR transition. This document provides a high-level overview of the topics covered in the Interim Final Rule.

Open-end products

| Entity | Description in IFR | Location in IFR |
|--|---|---|
| HELOCs, Open-End Reverse Mortgages, Credit Cards | The IFR replaces the term “spread-adjusted index based on SOFR recommended by the ARRC for consumer products” with the term “the Board-selected benchmark replacement for consumer loans” to align terminology in the rule with the LIBOR Act. The meaning of the term is effectively the same and is used to refer to the SOFR-based examples. | 1026.2(a)(28); 1026.9(c); 40(f)(3); 55(b)(7); 59(f). |
| HELOCs, Open-End Reverse Mortgages, Credit Cards | The IFR adds an example of a SOFR-based index with historical fluctuations substantially similar to the 12-month LIBOR tenor for open-end products, permitting creditors to use additional change-in-terms notice estimate language under certain circumstances. | Comment 9(c)(1)- 4; Comment 9(c)(2)(iv)-2.ii. |



| Entity | Description in IFR | Location in IFR |
|------------------------------------|---|--|
| HELOCs, Open-End Reverse Mortgages | The IFR adds an example of a SOFR-based index with historical fluctuations substantially similar to the 12-month LIBOR tenor for open-end products, which, when other conditions are met, permits a creditor to transition to that index. | 1026.40(f)(3)(ii)(B); Comment 40(f)(3)(ii)-1.i; Comment 40(f)(3)(ii)(A)-2.ii; Comment 40(f)(3)(ii)(A)-3; Comment 40(f)(3)(ii)(B)-1.ii. |
| Credit Cards | The IFR adds an example of a SOFR-based index with historical fluctuations substantially similar to the 12-month LIBOR tenor for open-end products, which, when other conditions are met, permits a creditor to transition to that index. | 1026.55(b)(7)(ii); Comment 55(b)(7)-1.i; Comment 55(b)(7)(i)-1.ii; Comment 55(b)(7)(i)-2; Comment 55(b)(7)(ii)-1.ii. |
| Credit Cards | The IFR adds an example of a SOFR-based index with historical fluctuations substantially similar to the 12-month LIBOR tenor for open-end products, which, when other conditions are met, 1) will enable card issuers to terminate the rate reevaluation requirement and 2) may be used by card issuers in the rate reevaluation replacement formula as a benchmark index of comparison instead of LIBOR. | 1026.59(f)(3); Comment 59(f)-4. |

Closed-end products

| Product | Description in IFR | Location in IFR |
|--|---|--|
| Closed-End Mortgages, Student Loans, and Other Closed-end Consumer Loans | The IFR replaces the term “spread-adjusted index based on SOFR recommended by the ARRC for consumer products” with the term “the Board-selected benchmark replacement for consumer loans” to align terminology in the rule with the LIBOR Act. The meaning of the term is effectively the same and is used to refer to the SOFR-based examples. | 1026.2(a)(28); 1026.20(a); Comment 20(a)-3.ii. |

| Product | Description in IFR | Location in IFR |
|--|---|---------------------------------|
| Closed-End Mortgages, Student Loans, and Other Closed-end Consumer Loans | The IFR adds an example of an index that is “comparable” to the 12-month LIBOR tenor for closed-end products, such that transition to that index under the circumstances identified does not constitute a refinancing for purposes of Regulation Z. | 1026.20(a); Comment 20(a)-3.ii. |

Additional resources

Find more implementation information and sign up for updates about the LIBOR Transition Rule implementation at <https://www.consumerfinance.gov/compliance/compliance-resources/other-applicable-requirements/libor-index-transition/>.