

ARRC CONSULTATION
REGARDING MORE ROBUST LIBOR FALLBACK CONTRACT LANGUAGE
FOR NEW VARIABLE RATE PRIVATE STUDENT LOANS
March 27, 2020

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Part I: Consultation Overview

A. Background

The Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York convened the [Alternative Reference Rates Committee](#) (“ARRC”) in 2014 to identify alternative reference rates for U.S. dollar (USD) LIBOR (“LIBOR”), identify best practices recommendations for contract robustness in interest rate markets that currently use LIBOR, and create an implementation plan to support an orderly adoption of new reference rates. After accomplishing its initial set of objectives by selecting a recommended alternative reference rate (the Secured Overnight Financing Rate, “SOFR”) and setting out a Paced Transition Plan with respect to derivatives, the ARRC was reconstituted in 2018 with an expanded membership to help ensure the successful implementation of the Paced Transition Plan and to serve as a forum for market participants to address the risks of severe market disruption that could result from the cessation of LIBOR and develop and support liquidity in SOFR-based products across cash and derivatives markets.

The [ARRC’s Second Report](#) noted that most contracts referencing LIBOR do not appear to have envisioned a permanent or indefinite cessation of LIBOR and have fallbacks that would not be economically appropriate if this event occurred. Current contract language in variable rate private student loans allows lenders to replace the index if LIBOR is no longer available, but provides little guidance to the parties about the process for making any such replacement. As a result, both consumers and investors may benefit from contract language that more clearly specifies what they should expect to happen if LIBOR is no longer published or is materially disrupted.

To meet its mandate to act as a forum for developing recommendations for voluntary transition, the ARRC formed a number of working groups to focus on various types of financial products and published its [Guiding Principles for More Robust LIBOR Fallback Contract Language](#) to create a framework for fallback language in cash products. The ARRC has already consulted on and [recommended fallback language](#) for floating-rate notes, syndicated and bilateral business loans, securitizations, and closed-end residential adjustable-rate mortgages (ARMs). These recommendations set forth robust fallback provisions that define the relevant trigger events,¹ and allow for the selection of a replacement index² and a spread adjustment between LIBOR and the replacement index to account for differences between these two benchmarks. The ARRC has produced for public review and comment a [consultation](#) on the methodology by which that spread adjustment might eventually be calculated.

The ARRC formed its Consumer Products Working Group (Working Group) in 2019. The ARRC also established a set of [guiding principles](#) that it believes are uniquely applicable for consumer loan products. In order to meet its mandate, the Working Group includes a diverse array of lenders, consumer groups, investors, and servicers.

The Working Group was tasked with recommending fallback language for new consumer loans. Several key principles were set out to guide that work:

¹ A trigger event is an occurrence that precipitates the conversion from LIBOR to a new reference rate.

² The replacement index is the reference rate that would replace LIBOR in contracts.

- In determining recommended fallbacks for LIBOR in consumer products, the choice of the replacement index, spread or margin adjustment to the replacement index, succession timing, and mechanics should be easily comprehensible in order to be effectively communicated to all stakeholders in advance of the transition away from LIBOR, and should seek to minimize any possible value transfer based on observable, objective rules determined in advance.
- Where flexibility or discretion are incorporated in fallbacks, it should be carefully considered and limited to the extent possible to ensure ease of application and to minimize the potential for disputes.

In accordance with these principles, the Working Group has developed proposed language for use in new variable rate private student loans that reference LIBOR. The proposed language is set out in the Appendix, with changes to existing model contract language highlighted in blue font, and is very similar to the ARRC's recommendations for ARMs. This consultation provides an opportunity for all interested parties to submit any comments or feedback on the proposed language and related issues. The ARRC will consider any feedback received in response to this consultation before recommending contract language for use in new variable rate private student loans. The extent to which any market participant decides to implement or adopt any suggested contract language is completely voluntary. Therefore, each market participant should make its own independent evaluation and decision about whether or to what extent to adopt any suggested contract language.

B. An Explanation of SOFR and the Differences between SOFR and LIBOR

A key component of the proposed fallback language set out in the Appendix is the proposal that the replacement index will be "selected or recommended by the Federal Reserve Board, the Federal Reserve Bank of New York, or a committee endorsed or convened by the Federal Reserve Board or the Federal Reserve Bank of New York," (e.g., the ARRC). The ARRC discussed the merits of and sought feedback on alternative rates in its 2016 [Interim Report and Consultation](#) and in a public roundtable, and after evaluating and incorporating feedback from the consultation and from the broad set of end users on its [Advisory Group](#), selected SOFR as its recommended alternative to U.S. dollar LIBOR in 2017. The Federal Reserve Bank of New York began publishing SOFR in April 2018 and began publishing averages of SOFR in March 2020.

SOFR is a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities. SOFR is determined based on transaction data composed of: (i) tri-party repo, (ii) General Collateral Finance (GCF) repo, and (iii) bilateral Treasury repo transactions cleared through Fixed Income Clearing Corporation (FICC). In terms of the transactions underpinning SOFR, SOFR has the widest coverage of any Treasury repo rate available. Averaging over \$1 trillion of daily trading over the last year, transaction volumes underlying SOFR are far larger than the transactions in any other U.S. money market and dwarf the volumes underlying LIBOR. Additional information about SOFR and other Treasury repo reference rates is available online [through the Federal Reserve Bank of New York \(FRBNY\)](#). FRBNY, as the administrator and producer of SOFR, began publishing SOFR on April 3, 2018. SOFR is published on a daily basis on the FRBNY's website at approximately 8:00 a.m. eastern time.³

³ To view the rate, visit: <https://apps.newyorkfed.org/markets/autorates/sofr>.

SOFR is representative of general funding conditions in the overnight Treasury repo market. As such, it reflects an economic cost of lending and borrowing relevant to the wide array of market participants active in the financial markets. However, there are some key differences between SOFR and LIBOR. SOFR is a secured, risk-free, overnight rate, while LIBOR is an unsecured rate published at several different maturities (overnight/spot, one week, one month, two months, three months, six months, and one year). As described in the User's Guide to SOFR, many derivative and cash products should be able to reference averages of SOFR, and many products are already doing so. However, as described in the Paced Transition Plan, the ARRC has also set a goal for the development of forward-looking term rates based on SOFR derivatives markets by the end of 2021.⁴

Because LIBOR is unsecured and includes an element of bank credit risk, it is likely to be higher than SOFR and prone to widen in some instances of severe credit market stress. In contrast, because SOFR is secured and nearly risk-free, it is expected to be lower than LIBOR and may stay flat (or potentially decline) in periods of severe credit market stress. For this reason, the ARRC has committed to recommending spread adjustments to SOFR for cash products that are intended to reflect the key differences between LIBOR and SOFR. These spread adjustments would be set upon occurrence of a specific event based on observable data at that time. The ARRC published a [consultation](#) on methodologies by which that spread adjustment may be calculated in January 2020.

It is important to also be aware that the ARRC has committed to see that any rates and any spread adjustments it recommends are published and made publicly available. This will include seeing the rate and spread adjustment published jointly as a single "spread-adjusted" rate. As described below, these published spread adjusted rates, which could be either based on averages of SOFR or on a SOFR term rate, could be considered as a potential replacement index for LIBOR in variable rate private student loans. To facilitate use of SOFR in financial products, the Federal Reserve Bank of New York has begun publishing several averages of daily SOFR rates.⁵

C. Differences between Proposed Fallback Provisions for Cash Products and Derivatives

As described in the ARRC's guiding principles, there are several benefits to consistency across cash and derivatives products. Specifically, if fallbacks are aligned across the derivatives, loan, bond, and securitization markets so that products operate in a consistent fashion upon a LIBOR cessation, then operational, legal, and basis risk (particularly where derivatives are used to hedge interest rate risk in cash products) will be reduced. Therefore, the fallback language developed by the ARRC working groups for cash products is intended to be consistent in certain respects with the approach ISDA intends to take for derivatives.

However, ISDA has not drawn conclusions on the appropriateness of its proposed fallbacks for non-derivatives and it may be the view of market participants that cash product fallbacks should differ in some

⁴ Heitfield and Park (2019) have calculated *indicative* forward-looking term rates that may provide some sense as to how these eventual forward-looking term reference rates might behave. <https://www.federalreserve.gov/econres/notes/feds-notes/indicative-forward-looking-sofr-term-rates-20190419.htm>.

⁵ See <https://apps.newyorkfed.org/markets/autorates/sofr-avg-ind>. The technical differences between the "simple average" and "compounded average" as well as other models for using SOFR in cash products are described in A User's Guide to SOFR available at <https://www.newyorkfed.org/arrc/publications>.

respects from derivative fallback provisions. For example, ISDA has reopened its consultation on the possible inclusion of pre-cessation triggers,⁶ and it may ultimately elect not to include such triggers in its definition amendments. Respondents to the ARRC's consultations, however, have so far shown a clear preference for the inclusion of a pre-cessation trigger that would move to a replacement index if the U.K. Financial Conduct Authority (FCA) determined that LIBOR rates were no longer representative, and the ARRC's recommended fallback language for other cash products includes this type of trigger. Further, derivatives are expected to reference an average of the overnight rate calculated over the interest period ("in arrears"), while an "in arrears" replacement index may be difficult to implement for student loans in a manner that allows servicers to provide sufficient notice to the borrower ahead of the payment due date.

Part II: Fallback Language for New Variable Rate Private Student Loans - Consultation Questions

A. General Approach of the Variable Rate Private Student Loan Fallback Provisions

Based on the recommendations of its Consumer Products Working Group, the ARRC is proposing an approach to more robust fallback language for new variable rate private student loans. The proposed fallback language for variable rate private student loans is set forth in the Appendix. This **Part II** contains a description of the variable rate private student loan fallback provisions and specific questions that market participants are asked to consider.

Note that most existing variable rate private student loan notes or variable rate private student loan riders contain fallback language that specifies that the Note Holder may choose a new index if the existing index becomes unavailable. However, the ARRC's recommended contract language is meant to provide greater clarity to consumers on when and how a replacement index will be chosen.

The recommended variable rate private student loan fallback provisions try to balance several goals of the ARRC principles described in **Part I**. To provide clarity and consistency, the variable rate private student loan fallback provisions use clear and observable triggers and a replacement index selected or recommended by the Board of Governors of the Federal Reserve System, the Federal Reserve Bank of New York, or a committee convened or endorsed by the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York, if such a rate is available. If such a rate is not available, the Note Holder will continue to be responsible for choosing a replacement index, as is the case in current fallback language for variable rate private student loans. However, the ARRC's recommendation includes language addressing any necessary adjustment of a loan's margin and provides a standard of reasonableness and good faith for the Note Holder's choice of the replacement index and margin.

Investors often enter interest rate swaps to offset or hedge their floating rate exposure. In order to reduce a mismatch between variable rate private student loans and swap instruments, the recommended fallback language for variable rate private student loans is generally consistent with the approach ISDA presently anticipates implementing for derivatives for cessation triggers. However, as discussed above in section I.C, the recommendation for variable rate private student loan fallbacks differs in some respects.

⁶ <https://www.isda.org/a/lwcte/December-2019-Letter-to-the-FSB-OSSG-FINAL.pdf>

Future-Proofing: It is important to note that the fallback provisions refer to the “Index” throughout and define the Index as, initially, the one-month USD LIBOR; provided that if LIBOR has been replaced in the contract, then the term “Index” means the applicable “Replacement Index.” This drafting is intended to allow the fallback provisions to apply again in the unlikely event that the replacement to LIBOR is later discontinued during the term of a variable rate private student loan. Nonetheless, since most variable rate private student loans are 10-year term contracts, the language must be able to stand the test of time.

Furthermore, we have placed the one-month USD LIBOR Index language in brackets in the recommended fallback provisions. This is intended to facilitate implementation of the recommended fallback provisions in any variable rate private student loan, including those that do not reference LIBOR and those that reference term LIBOR indices that are not one month in duration.

B. Triggers

A “trigger” is an objective, observable event that will require the Note Holder to convert from LIBOR (or another “Index”)⁷ to a new reference rate. The triggers are set out in the definition of “Replacement Events” in the proposal (see Appendix, section 4(G)). The ARRC’s recommendation sets out two separate triggers that define when an Index is no longer available for the purpose of calculating the interest rate on a variable rate private student loan.

As described in greater detail below, the first trigger would only be invoked if LIBOR ceased publication. The second trigger would apply in situations in which LIBOR may still be published, but its quality had materially deteriorated.

Index is Unavailable

The first trigger in the ARRC’s recommended variable rate private student loan fallback provisions (“Replacement Event” clause 4(G)(i)) would move the loan to a replacement index in the event that the Administrator of the current Index has stopped providing the Index to the general public. This is similar to the first trigger for ARMs and is intended to be consistent with the first two fallback triggers in the ARRC’s recommended fallback language for other cash products and language that ISDA anticipates incorporating into its definition for USD LIBOR. The ARRC-recommended fallback triggers for those cash products would move those products to a replacement index in the event that the Administrator of the current Index *has ceased or will cease to provide the Benchmark, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark*. Relative to the ARRC’s recommended language in other cash products (excluding ARMs) or ISDA documents, the recommended variable rate private student loan fallback trigger is written more simply and emphasizes the need for the Index to be provided to the general public if it is to be used in a variable rate private student loan product.

Index is No Longer Reliable or Representative

The second trigger in the ARRC’s recommended variable rate private student loan fallback provisions

⁷ In the recommended fallback provisions, “Index” is defined as LIBOR or its replacement, including any spread adjustments thereto (the “Replacement Index”).

(“Replacement Event” clause 4(G)(ii)) would occur if the Administrator of the Index or the regulator with authority over the administrator of the Index were to announce that the Index is no longer reliable or representative. This trigger is modeled after language in Article 20(3) of the EU Benchmark Regulation, under which EU-supervised entities may be prohibited from new use of a Benchmark if it is determined that the Benchmark is *no longer representative of the underlying market or economic reality*. In the case of LIBOR, the relevant regulator is the U.K. Financial Conduct Authority (FCA).

This trigger is consistent with the pre-cessation trigger included in the ARRC’s recommended fallback language for other cash products. Note that ISDA has reopened its consultation on pre-cessation triggers⁸ and may elect to include a trigger of this nature. However, if ISDA does not include any pre-cessation trigger, then including such triggers in variable rate private student loans could result in basis risk with standard derivatives (*i.e.*, if the LIBOR-based interest rate were hedged, the hedge may no longer match the new SOFR-based interest rate, unless parties bilaterally agree to include the same pre-cessation triggers in the hedge).

Questions about Triggers

Question 1: *Should fallback language for variable rate private student loans include a pre-cessation trigger (trigger 4(G)(ii))?*

Question 2: *Please indicate whether any concerns you have about a pre-cessation trigger relate to differences between such a trigger and those for standard derivatives or relate specifically to the pre-cessation trigger itself.*

Question 3: *If a pre-cessation trigger is not included, what options would be available to market participants to manage the potential risks involved in continuing to reference a Benchmark whose regulator has publicly determined that it is not representative of the underlying market?*

Question 4: *The variable rate private student loan language proposed uses simplified language in an effort to be more comprehensible for the consumer market. Is the simplified language proposed here appropriate, or are there concerns with the language not matching ISDA or other cash product language precisely?*

C. Replacement Index and Margin

In the recommended contract language, references to LIBOR are replaced by references to an alternative rate upon a “Replacement Event.” As described below, the recommended variable rate private student loan fallback provisions contain a waterfall within the defined term “Replacement Index” to select the particular index to be used as a replacement.

The following table displays the variable rate private student loan fallback replacement index waterfall:

⁸ See <https://www.isda.org/a/lwcte/December-2019-Letter-to-the-FSB-OSSG-FINAL.pdf>.

Variable Rate Private Student Loan Replacement Index Waterfall
Step 1: Replacement index selected or recommended by Board of Governors of the Federal Reserve System, the Federal Reserve Bank of New York, or a committee endorsed or convened by the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York
Step 2: Replacement index determined by the Note Holder, with possible adjustment to the loan’s margin to account for differences between LIBOR and the chosen replacement index

Step 1: ARRC Replacement Index

The first step of the recommended waterfall is the adoption of a replacement index selected or recommended for use in consumer products, including variable rate private student loans, by the Board of Governors of the Federal Reserve System, the Federal Reserve Bank of New York, or a committee endorsed or convened by the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York (e.g., the ARRC).

The ARRC is currently working with stakeholders to develop and recommend a spread adjustment and corresponding spread-adjusted SOFR-based replacement that reflects and adjusts for the differences between LIBOR and SOFR. This is intended to minimize the impact to the borrower’s interest rate at resets following a Replacement Event.

Question 5: *Is the replacement index determined by the Federal Reserve Board, the Federal Reserve Bank of New York, or a committee endorsed or convened by the Federal Reserve Board or the Federal Reserve Bank of New York the best choice for the first step of the waterfall? Why or why not?*

Question 6: *As noted above, in addition to recommending SOFR, the ARRC may recommend forward-looking term SOFR rates if it is satisfied that a robust, IOSCO- compliant term rate that meets its criteria can be produced. If the ARRC recommends forward-looking term rates (e.g., 1-month, 3-month, 6-month, etc.) and a corresponding spread adjustment, should a spread-adjusted term rate be the replacement index for variable rate private student loans, or would a spread-adjusted average (simple or compounded) of SOFR be more appropriate? Please provide support for your answer.*

Step 2: Note Holder-Determined Replacement Index and Possible Adjustment to the Loan’s Margin

If there is not a rate selected or recommended as outlined in the first step, then the second step of the recommended waterfall would require the Note Holder to choose a replacement index, a step that is similar to the language in current LIBOR fallbacks for variable rate private student loans. The recommended variable rate private student loan fallback provision explicitly spells out the possibility that the Note Holder may determine an adjustment to be made to the loan’s margin to bring the overall interest rate calculated using the replacement index (or a future index and its replacement) more in line with the overall interest rate calculated using LIBOR.

Question 7: *Should the Note Holder have the responsibility as the 2nd and last step of the waterfall? Why or why not?*

Question 8: *Should the Note Holder have the ability to make adjustments (positive or negative) to the loan's margin to more closely approximate the LIBOR-based interest rate present at the time of replacement? Why or why not? If you do not believe the Note Holder should make adjustments to the loan's margin, and potential replacement indices diverge from the value of the current Index, what provision or step should be taken to preserve that consistency?*

Question 9: *If the Note Holder is a trust, is there some entity other than the Note Holder that should be responsible for identifying the replacement Index if Step 1 of the waterfall fails? Please provide sufficient rationale for your answer.*

D. Other Questions and General Feedback

Question 10: *Will this language have unintended consequences not considered by the ARRC working group? If so, please explain and provide information about why this language would present challenges. If there are concerns with this proposed language, please be sure to specify if concerns relate to this proposed language, or to index replacement language in general.*

Question 11: *Is there any provision in the proposal that would significantly impede variable rate private student loans originations? If so, please provide a specific and detailed explanation.*

Question 12: *Please provide any additional feedback on any aspect of the proposal.*

E. Response Procedures and Next Steps

Interested parties may submit responses to the consultation questions by email to arcc@ny.frb.org until May 15, 2020. Please attach your responses in a PDF document and clearly indicate "Consultation Response – Variable Rate Private Student Loans" in the subject line of your email. Please coordinate internally and provide only one response per institution.

Responses will be posted on the ARRC's website as they are received without alteration except when necessary for technical reasons. Comments will be posted with attribution unless respondents request anonymity. If your institution is requesting anonymity, please clearly indicate this in the body of your email and please ensure that the PDF document you submit is anonymized

Following this market-wide consultation, the ARRC plans to recommend fallback language for variable rate private student loans for voluntary adoption in the marketplace. The expectation is that market participants will choose whether and when to begin using the variable rate private student loan fallback language in new issuances of LIBOR transactions as they deem appropriate.

Appendix: Fallback Language for New Variable Rate Private Student Loans

[Sections Intentionally Omitted]

2. INTEREST

Interest will be charged on unpaid principal until the full amount of Principal has been paid. I will pay interest at a rate of ____%. The interest rate I will pay may change in accordance with Section 4 of this Note.

The interest rate required by this Section 2 and Section 4 of this Note is the rate I will pay both before and after any default described in Section ____ of this Note.

[Sections Intentionally Omitted]

4. ADJUSTABLE INTEREST RATE AND MONTHLY PAYMENT CHANGES

(A) Change Dates

The interest rate I will pay will change on the first day of each month in accordance with Section 4(C) of this note. The date on which my interest rate changes is called a “Change Date.”

(B) The Index

Beginning with the Disbursement Date and following each Change Date, my adjustable interest rate will be based on an [Index that is calculated and provided to the general public by an administrator \(the “Administrator”\)](#). The “Index” is [a benchmark, known as \[the one-month U.S. dollar \(USD\) LIBOR\]⁹ index. The Index is currently published in, or on the website of, *The Wall Street Journal*. The most recent Index value available as of the date ____ \[e.g. 20\] days before each Change Date is called the “Current Index,” provided that if the Current Index is less than zero, then the Current Index will be deemed to be zero for purposes of calculating my interest rate.](#)

If the Index is no longer available, [it will be replaced in accordance with Section 4\(G\) below.](#)

(C) Calculation of Changes

Before each Change Date, the Note Holder will calculate my new interest rate by adding ____ percentage points (____%) (the “Margin”) to the Current Index. [The Margin may change if the Index is replaced by the Note Holder in accordance with Section 4\(G\)\(2\) below.](#) The Note Holder will then round the result of [the Margin plus the Current Index](#) to the nearest one-eighth of one percentage point (0.125%). Subject to the limits stated in Section 4(D) below, this rounded amount will be my new interest rate until the next Change Date.

The Note Holder will then determine the amount of the monthly payment that would be sufficient to repay the unpaid principal that I am expected to owe at the Change Date in full on the Maturity Date at my new interest rate in substantially equal payments. The result of this calculation will be the new amount of my monthly payment.

(D) Limits on Interest Rate Changes

The interest rate I am required to pay at the first Change Date will not be greater than ____% or less than ____%. Thereafter, my adjustable interest rate will never be increased or decreased on any single Change Date by more than ____ percentage points from the rate of interest I have been paying for the preceding month. My interest rate will never be greater than ____% or less than ____%.

⁹ References to the one-month USD LIBOR index are placed in brackets, as it is intended that the recommended fallback provisions could be implemented in any variable rate private student loan. This includes loans that do not reference LIBOR and loans that reference term LIBOR indices of durations aside from one month.

(E) Effective Date of Changes

My new interest rate will become effective on each Change Date. I will pay the amount of my new monthly payment beginning on the first monthly payment date after the Change Date until the amount of my monthly payment changes again.

(F) Notice of Changes

The Note Holder will deliver or mail to me a notice of any changes in my adjustable interest rate before the effective date of any change. The notice will include the amount of my monthly payment, any information required by law to be given to me, and also the title and telephone number of a person who will answer any question I may have regarding the notice.

(G) Replacement Index and Replacement Margin

The Index is deemed to be no longer available and will be replaced if any of the following events (each, a “Replacement Event”) occur: (i) the Administrator has permanently or indefinitely stopped providing the Index to the general public; or (ii) the Administrator or its regulator issues an official public statement that the Index is no longer reliable or representative.

If a Replacement Event occurs, the Note Holder will select a new index (the “Replacement Index”) and may, if needed under subsection (2) also select a new margin (the “Replacement Margin”), as follows:

(1) If a Replacement Index has been selected or recommended for use in consumer products, including private student or educational loans, by the Board of Governors of the Federal Reserve System, the Federal Reserve Bank of New York, or a committee endorsed or convened by the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York at the time of a Replacement Event, the Note Holder will select that index as the Replacement Index.

(2) If a Replacement Index has not been selected or recommended for use in consumer products under Section (G)(1) at the time of a Replacement Event, the Note Holder will make a reasonable, good faith effort to select a Replacement Index and a Replacement Margin that, when added together, the Note Holder reasonably expects will minimize any change in the cost of the loan, taking into account the historical performance of the Index and the Replacement Index.

The Replacement Index and Replacement Margin, if any, will be operative immediately upon a Replacement Event and will be used to determine my interest rate and monthly payments on Change Dates that are more than ____ days [e.g. 20 days] after a Replacement Event. The Index and Margin could be replaced more than once during the term of my Note, but only if another Replacement Event occurs. After a Replacement Event, all references to the “Index” and “Margin” shall be deemed to be references to the “Replacement Index” and “Replacement Margin.”

The Note Holder will also give me notice of my Replacement Index and Replacement Margin, if any, and such other information required by applicable law and regulation.

[Sections Intentionally Omitted]