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ARRC Releases Loan Remediation Survey Results

Survey Results Reflect Encouraging Transition Progress in U.S. Dollar (USD) LIBOR Business Loans but Reinforce Need for Timely Action

The Alternative Reference Rates Committee (ARRC) today released a summary of the aggregated and anonymized results from the Loan Remediation Survey it had published seeking information on lenders' and borrowers' steps already under way and plans going forward to remediate USD LIBOR business loans prior to June 30, 2023.

Over 70 survey submissions were received from a wide set of lenders and borrowers. Most respondents indicated they have documented remediation plans in place and highlighted plans to actively transition their LIBOR loans to Secured Overnight Financing Rate (SOFR) ahead of LIBOR cessation. While the majority of business loan borrowers indicated they have been contacted by their lenders about transitioning some or all of their LIBOR loans, the majority of syndicated lenders indicated either that they had not been contacted by an agent or had received no or at most only a few amendments; only 30 percent of syndicated lenders indicated that they had received a significant number of amendments from an agent. Timing-wise, over half of lender respondents expected that the majority of their LIBOR loans would only have transitioned away from LIBOR by the end of Q2 2023 or later.

"Results from the survey reflect encouraging awareness of the need to be ready for the LIBOR transition, but with just nine months left until LIBOR ends it also highlights the need to ensure that *plans* for active loan conversion quickly become a reality," said Tom Wipf, ARRC Chair and Vice Chair at Morgan Stanley. "We have seen the pace of loan refinancing slow in recent months, which reemphasizes the need for lenders to actively reach out to their borrowers to transition *now*, and not to wait until the next refinancing or the last moment and risk having more loans referencing LIBOR as of June 30, 2023 than expected."

The ARRC continues to encourage movement to new rates ahead of LIBOR cessation where feasible in order to mitigate potential operational challenges from attempting to transition a large number of contracts in a limited amount of time. The ARRC's LIBOR Legacy Playbook provides a number of best practice recommendations intended to facilitate a smooth transition over the last year of USD LIBOR.

About the ARRC

The ARRC is a group of private-market participants convened by the Federal Reserve Board and Federal Reserve Bank of New York in cooperation with the Commodity Futures Trading Commission, the Consumer Financial Protection Bureau, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the National Association of Insurance Commissioners, the New York Department of Financial Services, the Office of Financial Research, the Office of the Comptroller of the Currency, the U.S. Department of Housing and Urban Development, the U.S. Securities and Exchange Commission, and the U.S. Treasury Department. It was initially convened in 2014 to identify risk-free alternative reference rates for USD LIBOR, identify best practices for contract robustness, and create an implementation plan with metrics of success and a timeline to support an orderly adoption. The ARRC accomplished its first set of objectives and identified SOFR as the rate that it recommends for use in certain new USD derivatives and other financial contracts. It also published its Paced Transition Plan, with specific steps and timelines designed to support the voluntary adoption of SOFR. The ARRC was reconstituted in 2018 with an expanded membership to help to ensure the successful implementation of the Paced Transition Plan, address the increased risk that LIBOR may not exist beyond 2021, and serve as a forum to coordinate and track planning across cash and derivatives products and market participants currently using USD LIBOR.

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