

May 14, 2020

ARRC Extends Comment Period for Feedback on Consultation on Fallback Language for New Variable Rate Private Student Loans until May 29

The Alternative Reference Rates Committee (ARRC) announced that it is extending the comment period for public feedback on its [consultation](#) on U.S. Dollar (USD) LIBOR fallback contract language for new variable rate private student loans. The consultation was [initially released](#) on March 27, 2020 and the comment period is being extended until May 29, 2020 to provide sufficient time to allow for thorough feedback.

The consultation proposes two different steps in a successor rate waterfall: an “ARRC Replacement Index” and a “Note Holder-Determined Replacement Index.” The two steps are:

- **Replacement Index** – The first step of the recommended successor rate 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).
- **Note Holder-Determined Replacement Index** – 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 currently used 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.

Submitting Feedback about Consultations

The ARRC is seeking feedback on the proposed approach and on the key issues involved from the widest possible range of stakeholders. The ARRC intends to work closely with stakeholders in these markets, including issuers, intermediaries, and end users, to solicit and incorporate their input. The consultation includes multiple questions about each aspect of the potential fallback provisions.

Comments should be sent to the ARRC Secretariat (arrc@ny.frb.org) no later than May 29, 2020. Comments will be posted on the ARRC’s website after the close of the consultation period 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. Questions regarding the consultations should also be sent to the ARRC Secretariat (arrc@ny.frb.org) and will not be posted for attribution.

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 Consumer Financial Protection Bureau, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the Office of Financial Research, the Office of the Comptroller of the Currency, the Commodity Futures Trading Commission, the 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 the SOFR as the rate that represents best practice 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 encourage adoption of the 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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Contact for ARRC Chair Tom Wipf

[Paige Mandy](#)

Morgan Stanley

Contact for the ARRC's Outreach/Communications Working Group

[Andrew S. Gray](#)

JPMorgan Chase

Contact for the Federal Reserve Board

[Darren Gersh](#)

Contacts for the Federal Reserve Bank of New York

[Suzanne Elio](#) and [Betsy Bourassa](#)