

# NCLC's Pizor Applauds CFPB Final Rule to Facilitate the Transition from LIBOR

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*The New Rule Will Provide Protections for Borrowers With Adjustable Interest Rate Loans*

WASHINGTON- Today, in response to the Consumer Financial Protection Bureau's (CFPB) announcement that it has finalized a rule facilitating the transition away from use of the LIBOR interest rate index for adjustable rate loans, **Andrew Pizor, staff attorney at the National Consumer Law Center** issued the following statement:

"We are pleased to see the Bureau take steps to prepare consumers and financial markets for the discontinuation of Libor. The end of the Libor will affect millions of consumers whose adjustable interest rates are tied to that index, but with quick action from the CFPB and Congress, most loans can be converted to the safest replacement index-the Secured Overnight Financing Rate (SOFR)."

Libor is an index used to determine the rate on adjustable rate loans. According to the CFPB, approximately \$1.4 trillion of consumer loans are estimated to be currently tied to LIBOR. Libor once stood for London Interbank Offered Rate but is now simply "Libor." It is a benchmark interest rate based on the rate at which banks lend to each other on the international interbank market for short-term loans. The transition away from Libor was set into motion after a criminal rate-setting conspiracy implicated large international banks and undermined public confidence in the index.

The CFPB's final rule, effective April 1, 2022, requires creditors to choose an index comparable to Libor when changing the index of a variable rate loan (or consider it a refinancing).

The rule, as well as Pizor and other consumer advocates, recommends transitioning to the Secured Overnight Financing Rate, a "broad measure of the cost of borrowing cash overnight collateralized by Treasury securities."

Additional resources:

- Testimony of Andrew Pizor before the U.S. Senate Committee on Banking, Housing & Urban Affairs on "The Libor Transition: Protecting Consumers and Investors," Nov. 2, 2021
- Comments to CFPB re Facilitating the Libor Transition by Amending Regulation Z, Aug. 4, 2020
- Issue Brief: The End of Libor: Risk and Solutions for Residential Mortgages, February 2020