NAVIENT

From LIBOR to SOFR

In July 2023, an industry-wide change will occur to the way many variable rate loans calculate their interest rates when the London Interbank Offered Rate, simply known as LIBOR, is replaced by the Secured Overnight Financing Rate (SOFR). This includes many student loans. It's important to understand that in making this change, the financial services industry is acting in accordance with guidance provided by Congress.

Frequently Asked Questions

What's changing?

The benchmark used to calculate the variable interest rate of your student loan will change from the London Interbank Offered Rate (LIBOR) to a rate based on the Secured Overnight Financing Rate (SOFR).

Following the direction of Congress, most LIBOR-based loans are transitioning to using a SOFR-based rate. This is just a change to a SOFR-Based Spread-Adjusted Index, **this is not a refinance of your student loan or a change to your terms – it is simply a change to the benchmark** we use to determine your variable interest rate. This will happen automatically and will not result in any difference in the way we service your loan.

What is SOFR?

SOFR stands for Secured Overnight Financing Rate. It is a benchmark interest rate calculated as the median rate at which market participants can borrow U.S. dollars overnight while posting U.S. Treasury bonds as collateral.

Why transition away from the LIBOR index?

Over the past several years, the LIBOR benchmark has become less reliable and more prone to issues. As a result, experts like those in the Alternative Reference Rates Committee (a group of private-market participants convened by the Federal Reserve Board and the New York Fed to help ensure a successful transition from U.S. dollar (USD) LIBOR to SOFR), identified several alternative methods to calculate interest rates. Since then, regulators and Congress have laid out a plan to transition away from LIBOR. You should see this change reflected in financial markets and on many of your variable interest rate loans by the middle of 2023.

What do I need to do?

There's nothing you need to do related to this change.

We'll handle the transition for you, just as the entire banking and lending industry is doing for their customers. Simply review any communications from your various servicers pertaining to this update.

Will my monthly payment change?

On average, your interest rate and payment amount under SOFR are expected to be comparable to what they are today using LIBOR.

As a variable rate loan, your monthly payment amount has changed on a regular schedule since your loan was disbursed. It will continue to change on a comparable schedule according to the terms and conditions of your loan. **Only the benchmark used to calculate the variable interest rate will change.**

What is my new interest rate?

Your interest rate remains variable and will continue to change periodically as provided in the terms and conditions of your loan. Your interest rate should change with the same or similar frequency to how it changed before.

We will calculate your interest rate using the “Refinitiv USD IBOR Consumer Cash Fallbacks” index plus whatever margin you originally agreed to when taking out the loan.

Will this impact my other student loans?
Federal student loans are not impacted by this change. Those loans have interest rates set by law, so no update is needed.

Other private education loans may be impacted. If your loans use LIBOR, they will change to a new benchmark index.

Where can I go to see the new SOFR rate?
Refinitiv Limited publishes the rate, which you can find on their website at https://www.refinitiv.com/en/financial-data/financial-benchmarks/usd-ibor-cash-fallbacks/usd-ibor-consumer-cash-fallbacks-sofr-compound-in-advance-summary.

Can I opt-out or are there other options?
No, you cannot opt out.

USD LIBOR (LIBOR) is expected to end on June 30, 2023. Congress has provided the guidance on how we can adjust the benchmark for your loan. This ensures that both you and your loan holder have a predictable and stable way to calculate your rate.

Other new loans may have a different benchmark, so you can always explore your refinancing options. A new, refinanced loan will have its own interest rate calculation (still not LIBOR), but your new lender may use an option other than one that is SOFR-based.

Could this happen again?
Federal regulators and Congress took steps to reduce the chances of the benchmark changing again. Although there is always the possibility of a similar change in the future, you should not experience any disruptions.

Why SOFR?
In 2022, Congress passed a law that made SOFR the preferred alternative to USD LIBOR. SOFR is a broad measure of the cost of borrowing cash overnight - it is comparable to LIBOR. It is collateralized (made secure) by U.S. Treasury securities in the financial market. To adjust for small differences between LIBOR and SOFR, Congress also legislated a spread adjustment to make them even more comparable; that new benchmark is known as the SOFR-Based Spread-Adjusted Index.

How does SOFR differ from LIBOR?
SOFR has several characteristics that make it much safer and more stable than LIBOR. SOFR is:

- Based on an active underlying market with a diverse set of borrowers and lenders
- Based entirely on transactions (not estimates)
- Produced in compliance with international best practices
- Included in multiple market segments to ensure robust transaction volumes in a wide range of market conditions

Where can I get more information?
If you are interested in learning more about the LIBOR transition, please visit the following industry websites:
Alternative Reference Rate Committee (ARRC) website
Financial Conduct Authority (FCA) website