



Fannie Mae®

# Green Financing – Mission and Products

13th Annual North American Passive House Conference

September 21, 2018



# Fannie Mae Green and Healthy Housing Financing Framework



## Financial



## Social



## Environmental

### Benefits

- Lower credit risk
- Higher cash flows
- Higher property value
- Greater affordability for tenants
- Higher quality, more durable housing
- Healthier housing
- Lower energy use
- Lower water use
- Generate clean energy
- Greater resiliency to natural disasters

**As a result of financing over \$31B in Green Mortgage Loans through YE 2017, Fannie Mae's portfolio is projected to:**

### Our Impact

- Reduce utility bills by \$53 million across portfolio
- Save \$49,000 on average energy and water cost reduction annually per property
- Provide more than 248,000 units improved, more comfortable homes
- Save \$131 on average annually on energy and water costs per family
- Save electricity to power 80 million cell phones
- Save fuel to heat 27 million showers
- Save water to fill 42 billion glasses



# Green and Healthy Housing Financing Solutions

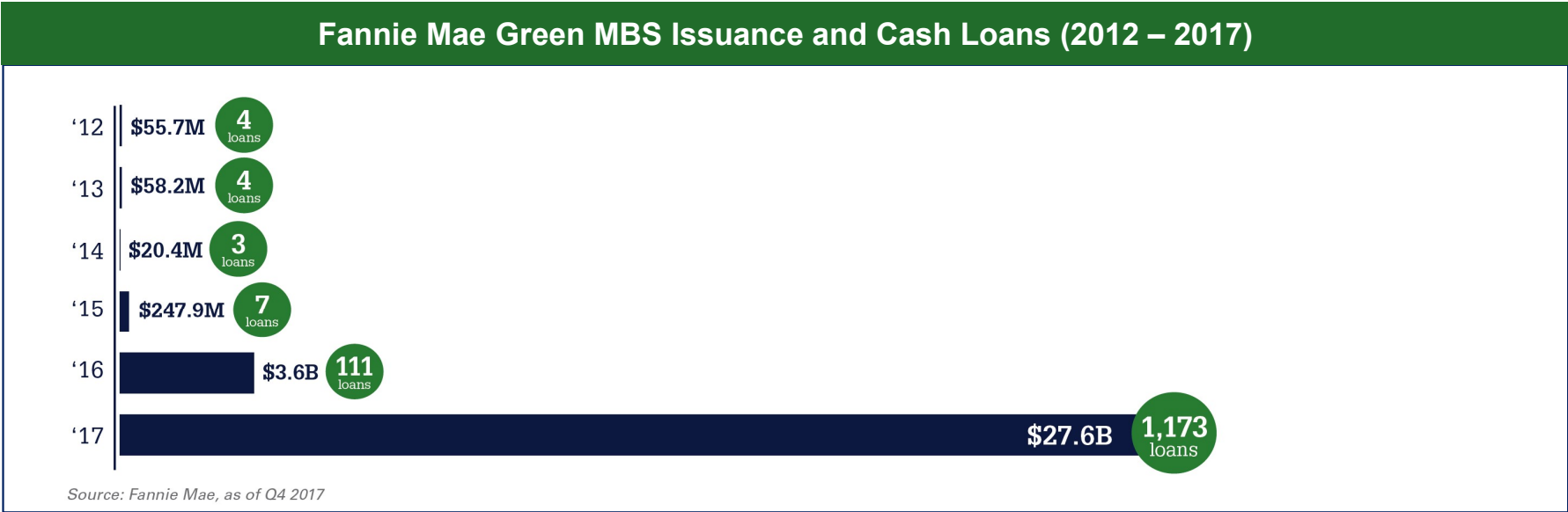
Fannie Mae has a range of Green and Healthy Financing Solutions

Solution	Green Rewards	Green Building Certification	Healthy Housing Rewards
Purpose	Reward renovations, retrofits, repairs, and solar	Recognize owner's initiative to obtain a certification recognized by Fannie Mae	Reward health-promoting design and resident services in affordable properties
Financial Incentives	<ul style="list-style-type: none"> <li>✓ Lower interest rate</li> <li>✓ Additional loan proceeds</li> <li>✓ No minimum Green Improvement Budget</li> <li>✓ High Performance (HPB) audit paid 100% by Fannie Mae (typically costs around \$7,000)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Lower interest rate</li> <li>✓ No minimum Green Improvement Budget</li> </ul>	<ul style="list-style-type: none"> <li>✓ Lower interest rate</li> <li>✓ Certifications paid 100% by Fannie Mae (typical cost is from \$750 up to \$6,000)</li> </ul>



# Growth of Fannie Mae Green Financing

Fannie Mae Green product volumes increased in 2017 as the program developed, incentives were aligned, and more borrowers were attracted to the products.



# Two Paths to Fannie Mae Green Financing

## *Already Green?* **Green Building Certification**

Benefits:  
**Preferential Green Pricing**

To Qualify:  
**Property has one of the recognized  
Green Building Certifications in place  
by Rate Lock**

## *Making Some Improvements?* **Green Rewards**

Benefits:  
**Preferential Green Pricing  
Free Energy and Water Audit  
Increased Loan Proceeds**

To Qualify:  
**Choose to implement Green  
improvements projected to reduce  
energy or water consumption by 25%  
or more**

*Execution*  
**Green Mortgage Backed Security**



# How does Fannie Mae determine GBCs eligibility and level?

- Once a year Fannie Mae evaluates certifications in the market meeting the needs of the multifamily market, Fannie Mae's program goals, and regulatory requirements
- Based on this evaluation, certifications may be added or retired from eligibility

## Level 1

- The certification needs to require at least one of the following:
  - **25%** energy or water savings over an industry recognized standard or US national median energy or water use intensity
  - ENERGY STAR Score of **75**
  - **Net zero** or positive energy or water

## Level 2

- The certification needs to require at least one of the following:
  - **15%** energy or water savings over an industry recognized standard or national median
  - ENERGY STAR Score of **70**
  - EPA Water Score of **70**

## Level 3

- The certification needs energy or water performance prerequisites for energy or water savings over any published standard, code, national median, or historical baseline.



# Which Green Building Certifications are Eligible?

## Level 1

- ENERGY STAR® for Existing Multifamily Building
- ILFI Zero Energy Certification
- LEED Building Operations and Maintenance
- Passive House Institute Passive House Standard
- PHIUS +

## Level 2

- ENERGY STAR® Qualified Multifamily High-Rise – Performance Path
- ENERGY STAR® Qualified Multifamily High-Rise – Prescriptive Path
- Enterprise Green Communities Criteria
- Green Globes Multifamily for Existing Buildings
- Green Globes Multifamily for New Construction
- GreenPoint Rated New Home Multifamily

## Level 3

- EarthCraft
- ENERGY STAR® Certified Homes
- GreenPoint Rated Existing Multifamily Whole Building
- LEED Building Design and Construction
- LEED Homes
- NGBS Green Home Remodeling Project Certification
- NGBS Green Multifamily Certification



# Which GBCs were added and retired in 2018?

## Added Certifications

- Green Globes Multifamily for Existing Buildings
- Green Globes Multifamily for New Construction
- ILFI Zero Energy Certification
- Passive House Institute Passive House Standard
- PHIUS +

## Retired Certifications

- Green Globes for Existing Buildings
- Green Globes for New Construction





# Green Rewards: Make CapEx improvements that reduce utility expense

- For properties planning to make energy and water saving improvements at refinance, acquisition or supplemental financing
- Must commit to making property improvements projected to reduce energy or water consumption by at least 25%
- Financial Benefits:
  - Preferential pricing reduces the interest rate of most loans
  - Fannie Mae reimburses 100% of cost of High Performance Building (HPB) Report
  - Up to 5% additional loan proceeds available, subject to normal LTV constraints
    - Underwrite 75% of Owner projected savings; and/or,
    - Underwrite 25% of Tenant projected savings, if based on actual (not modeled) tenant data
- No minimum property age or improvement budget
- Cost of improvements escrowed at 100%; must be completed within 12 months



# High Performance Building Report identifies cost-saving opportunities

- Borrower determines final scope of work by selecting from list of energy- and water-saving opportunities in HPB Report
- Report is ordered by Lender, completed by an energy auditor, and requires a site visit
- Report can be completed up to 6 months prior to rate lock
- 100% of HPB Report cost is reimbursed by Fannie Mae

Sample Improvement Opportunities 100-unit property, \$10 million loan	Estimated Project Cost	Energy Savings	Water Savings	Projected Owner Annual Cost Savings	Projected Tenant Annual Cost Savings
High Efficiency Lighting in Units and Common Areas	\$49,300	8%	-	\$5,000	\$3,000
Low-flow Aerators, Showerheads, and Toilets	\$35,000	3%	14%	\$18,000	
HVAC System – Heating Hot Water Condensing Boiler	\$60,000	11%	-	\$11,000	
ENERGY STAR® rated dishwashers	\$100,000	3%	2%	\$2,000	\$3,000
<b>Total</b>	<b>\$244,300</b>	<b>25%</b>	<b>16%</b>	<b>\$36,000</b>	<b>\$6,000</b>

Escrow at 100%

Save at least 25% energy or water to be eligible

Underwrite a portion of projected savings



# Case Study #1

## Reducing water costs

<b>Green Rewards Loan</b>	<b>\$4.4M, Refinance, Fixed Rate</b>
Property	42 units, 1962 construction
Budget/Unit	\$379
Improvements	Low-flow kitchen and bath faucets Low-flow showerheads Low-flow toilets
Additional Loan Proceeds / Underwriting	\$4,009 savings eligible to be underwritten 1.3% additional proceeds
Energy & Water Savings	5% Energy, 26% Water



## Case Study #2: Significant investments in building systems

Green Rewards Loan	\$10.8M, Acquisition, Fixed Rate
Property	118 units, 1979 construction
Budget/Unit	\$2,513
Improvements	Replace older A/C units with ENERGY STAR units Install 80 kW solar PV system
Additional Loan Proceeds / Underwriting	\$40,921 savings eligible to be underwritten 4.1% additional proceeds
Energy & Water Savings	28% Energy, 0% Water



# Annual Reporting for Green Mortgage Loans and Others

- Fannie Mae **requires** Borrowers to submit Energy Performance Metrics (EPMs) each year for the life of the loan if the Property either:

1

Has a Green Mortgage Loan

- Green Rewards
- Green Preservation Plus
- Property with a Fannie Mae–recognized Green Building Certification

OR

2

Is covered by a mandatory local annual energy benchmarking ordinance

- Borrowers enter utility, water, and property data into EPA’s ENERGY STAR® Portfolio Manager®, a free online system
- Borrowers submit the EPMs to Servicers along with Annual Operating Statements
- Servicers submit EPMs to Fannie Mae by **June 1** via Multifamily Asset Management Portal
- Resources are available to help servicers communicate to Borrowers and for Borrowers to submit EPMs



# Resources – Forms, Guidance, and Job Aids

- [www.fanniemaegreenfinancing.com](http://www.fanniemaegreenfinancing.com) – Green Financing website
- [Go Green Flowchart](#)
- [Green Rewards Term Sheet](#)
- [Job Aid: How to Register, Quote, Close and Deliver a Green Mortgage Loan](#)
- [Form 4099](#) – Instructions For Performing A Multifamily Property Condition Assessment
- [Form 4099.H](#) – Analysis Tools for a High Performance Building Report
- [Form 4250](#) – Green Building Certifications

