



Fannie Mae 2021  
Affordable Housing Preservation  
Outreach

**ACTIVITY:**

G. Regulatory Activity: Finance improvements on multifamily properties: which reduce energy or water consumption by tenant or property by at least 15 percent; and where the savings generated over the improvement's expected life will exceed its cost.

**OBJECTIVE:**

1. Engage stakeholders and conduct research to increase awareness and understanding of energy or water efficiency improvements and financing needs (Analyze, Test and Learn).

**SUMMARY OF RESULTS:**

Following are the 2021 Actions under this Objective per the [January 1, 2021 Duty to Serve Plan]:

<i>Objective's components detailed in the Plan</i>	<i>Corresponding actions taken</i>	<i>Explanation of any deviations from the Plan (if applicable)</i>
<input checked="" type="checkbox"/> Conduct industry outreach and research that will further raise awareness of Fannie Mae's loan products and share best practices with the stakeholder community.	All of the underlying activities associated with this action contributed to the completion of this objective's target.	N/A
<input checked="" type="checkbox"/> Participate in working groups, conferences, and roundtable events in order to facilitate information exchange on energy and water financing best practices between industry stakeholders.	Fannie Mae representatives spoke at the American Council for an Energy Efficient Economy's (ACEEE) Finance Forum, the Mortgage Bankers Association (MBA) annual Commercial Real Estate Finance Convention conference (MBA CREF), the Passive House Institute US's (PHIUS) PhiusCon, and attended the Department of Energy's (DOE) Better Buildings Challenge Summit.  We also presented at a city sustainability advisor's roundtable organized by ACEEE, a meeting on solar PV and energy storage hosted by the DC Department of the Environment, a webinar on the process of financing energy efficiency hosted by the Institute for Market Transformation (IMT)	N/A



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	and the Buildings Performance Institute Europe (BPIE), and a webinar on green financing and energy efficiency hosted by the National Housing and Rehabilitation Association (NH&RA).	
<input checked="" type="checkbox"/> Meet individually with at least 20 DUS lenders to build lender capacity and knowledge of Fannie Mae’s Green lending programs and energy and water efficiency best practices.	Fannie Mae met with 22 DUS® Lender organizations through individual meetings to explain green mortgage loan products and their benefits, share 2021 updates, and answer lender questions.	N/A
<input checked="" type="checkbox"/> Use lender and borrower feedback on green financing programs to improve outreach materials and internal processes.	Fannie Mae developed and improved a suite of borrower and lender resources available publicly on the Fannie Mae website aimed at articulating the benefits of green financing as well as detailing the green mortgage loan process from both the lender and borrower perspective. In addition, Fannie Mae has improved internal processes for providing feedback to lenders and consultants on their performance through post-closing deal review.	N/A
<input checked="" type="checkbox"/> Host one meeting with cross-functional industry representation to build upon knowledge and information gained over the previous two years.	Fannie Mae hosted a Green Rental Housing Task Force meeting on December 14, 2021, with cross-industry representation, including DUS lenders, borrowers, government officials, energy efficiency, and green building experts. The meeting identified potential solutions and areas of opportunity for the next phase of green financing to drive greater	N/A



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	positive environmental and social impact for residents of multifamily housing.	
<input checked="" type="checkbox"/> Further test and confirm data on actual energy and water savings on properties secured by loans purchased through Fannie Mae’s green finance programs.	All of the underlying activities associated with this action contributed to the completion of this objective's target.	N/A
<input checked="" type="checkbox"/> During the second half of 2021, begin to analyze actual utility data collected in 2020 for COVID-19 related impacts.	Bright Power analyzed green mortgage loan property data from 2019 and 2020 on a sample set of properties where efficiency improvements were already complete to understand if changes in living patterns and behaviors lead to an observed difference in energy and water usage. We tested the hypothesis that the COVID-19 pandemic led people to spend more time at home, which in turn would lead to higher energy/water usage. Analyses of green mortgage loan property data indicated that while there was variability across the properties analyzed, on average, no statistically significant differences in energy or water use intensity were observed between 2019 and 2020. Further research will be conducted in Q1/Q2 2022.	N/A
<input checked="" type="checkbox"/> Finalize the creation of an internal data analysis tool to allow for more robust energy data analysis.	Fannie Mae rolled out a new internal dashboard tool, developed in collaboration with Bright Power, to understand utility data and the impact of energy and water efficiency improvements across the Green Mortgage Loan portfolio. This dashboard provides on-	N/A



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	demand metrics that will enhance data analysis as more properties and years of data are added.	
<input checked="" type="checkbox"/> Distribute and publicize a set of green financing Case Studies finalized in Q4 of 2020 to key stakeholders in the industry through the web, outreach activities, industry conferences, and other potential means of distribution.	Fannie Mae leveraged Green Financing case studies widely in 2021, sharing in DUS Lender meetings, webinars, conferences, and on our green financing website. Lenders and borrowers were guided to use these case studies to help multifamily property owners understand the benefits of investing in energy and water efficiency improvements and renewable energy generation at their properties.	N/A
<input checked="" type="checkbox"/> Write and publicize a white paper on energy efficiency financing, focused on the challenges and opportunities related to multifamily utility data collection and analysis.	Fannie Mae published a white paper that reviews the program’s approach to Measurement & Verification and lessons learned from other efficiency programs, as well as opportunities for further research and next steps for systematically collecting and analyzing pre- and post-retrofit consumption data. The paper was publicized through DUS Lender meetings, a webinar with lenders and other program partners (including High Performance Building Consultants), a Fannie Mae Green Wire to lender partners, and a social media post on LinkedIn.	N/A

**SELF-ASSESSMENT RATING OF PROGRESS:**



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- Target met
- Target exceeded
- Target partially completed
- No milestones achieved

**IMPACT:**

- 50 – Very Large Impact
- 40
- 30 – Meaningful Impact
- 20
- 10 – Minimal Impact
- 0 – No Impact

**IMPACT EXPLANATION:**

**1. How and to what extent were actions under this objective impactful in addressing underserved market needs, or in laying the foundation for future impact in addressing underserved market needs?**

The actions relating to industry outreach and stakeholder engagement were impactful in addressing underserved market needs in two primary ways:

- First, they were critical for educating lender partners and borrowers on the green financing options available at Fannie Mae, and how green financing can be used to benefit both borrowers and residents.
- Second, outreach to the broader energy efficiency and real estate community helped entities advocating for energy efficiency understand the financing tools that are available through Fannie Mae to multifamily property owners that incentivize investments in energy and water efficiency and renewable energy while minimizing the need to take on separate debt for efficiency or renewable energy improvements.

The Fannie Mae multifamily green volume speaks to the impact of these outreach and stakeholder engagement efforts. In December 2021, the program reached the milestone of \$100 Billion of green multifamily MBS issued, which has helped the housing finance system create a more sustainable future and increase affordability for communities throughout the U.S. The number of DUS Lenders delivering green financing loans to Fannie Mae this year increased from 20 to 22, which also points to the impact of the extensive 2021 lender outreach campaign. Four out of five of the top Fannie Mae DUS Lenders increased their share of overall multifamily business delivered as green mortgage loans from 2020 to 2021, with the top lender leading the way with an increase from 13% green by UPB in 2020 to 31% green in 2021. All of these lenders were part of our outreach focus in 2021.

The impact of outreach and engagement efforts with the broader energy efficiency community through conferences, working groups, and roundtables also builds a foundation for future impact, particularly in jurisdictions where building energy performance standards have been enacted to require building owners to make improvements to reduce energy consumption and greenhouse gas emissions, such as Washington, DC’s Building Energy Performance Standard and New York City’s Local Law 97. As multifamily property owners plan



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for efficiency improvements to bring buildings into compliance, cities can provide resources on how improvements can be financed through Fannie Mae's green financing programs while minimizing the need for separate debt.

Fannie Mae's work to better understand the impact of energy and water efficiency improvements in multifamily housing have helped lay the foundation for more progress. This work will help address underserved market needs through higher quality, more timely data collection that will enable better interpretation of energy and water efficiency improvement performance in the context of changing social patterns (e.g., due to COVID-19), changes to properties over time independent of green improvements, resident behavior, the evolution of program requirements and guidance, and other factors. This work is critical to helping Fannie Mae refine program requirements, processes, and guidance to enhance program impact and realize cost and consumption savings. Two examples:

- Data collected through Green Measurement and Verification indicated dissatisfaction with ultra-low flow kitchen faucets, often resulting in the removal of aerators. In response, Fannie Mae instituted a higher minimum flow rate for kitchen faucets in Green Rewards to strike a balance between better functionality for residents and energy/water savings.
- When the Green Measurement and Verification Service first launched in 2018, the Measurement process was not initiated with borrowers until the end of the first annual reporting period, anywhere from 6 to 18 months from loan origination. This resulted in confusion among some borrowers and led to delays in the submission of annual utility data needed to analyze the impact of energy and water efficiency improvements. In 2020, we began to allow borrowers to opt-in to Fannie Mae's measurement tool early. In 2021, we improved the measurement process by requiring borrowers to initiate setup within 60 days of mortgage loan origination, a change that is expected to result in a better overall experience for borrowers and more timely delivery of borrowers' first annual utility data submission.

### **2. What did the Enterprise learn from its work about the nature of underserved market needs and how to address them?**

While Fannie Mae's green financing programs maintained consistent eligibility requirements since 2019, the team has found that regular communication, outreach, and robust program materials are critical tools for helping DUS Lender partners drive borrower participation. DUS Lender partners have greatly increased their expertise in green financing in the years since Fannie Mae began the program yet competing priorities and staff turnover at DUS Lenders necessitate ongoing direct engagement to drive green financing transaction volume and positive impact. New educational materials geared toward borrowers, such as the Borrower Green Rewards Mortgage Loan Guide, can help lenders provide their borrowers the information they need to make informed decisions. We view this as critical to meeting underserved market needs, as multifamily borrowers owning inefficient properties that could best be served by the green financing program may not do their own research on energy and water efficiency opportunities at their properties. Instead, many rely on their lender for help understanding the benefits of participation, including preferential pricing, owner and tenant utility savings, and improved tenant spaces.

Fannie Mae is also committed to using the data gathered from the Green Measurement and Verification Service to continuously improve its Green Financing offerings to assist underserved markets. In addition to the program

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enhancements to Green Rewards mentioned above, there are many other research opportunities outlined in the white paper, Spotlight on Fannie Mae's Green Measurement and Verification Service: Implementing a large-scale effort to evaluate energy and water efficiency performance in multifamily housing. This research identified potential opportunities to:

- Refine savings and projections through enhanced High Performance Building Report guidance.
- Better align green financing offerings with market needs.
- Address issues that impact the implementation and installation of efficiency measures.
- Partner with utilities to increase sharing of historical and ongoing energy and water data.

These incremental program improvements may enable us to strengthen the impact of its Green Financing program for multifamily broadly, but also to better serve underserved markets with enhanced tenant utility savings and improved tenant spaces.

### **3. If applicable, why was the Enterprise unable to achieve the Plan target?**

N/A