



## **Fannie Mae 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:**

2. Facilitate the establishment and dissemination of energy or water efficiency improvements finance industry standards that will facilitate increased liquidity to the multifamily energy efficiency improvements finance market (Partner and Innovate).

### **SUMMARY OF RESULTS:**

Standardization is critical to understanding the social, environmental, and economic impacts of green financing. Fannie Mae worked extensively to engage the industry and to better understand and promote the need for standardization. By completing in-depth research and outreach, we identified two standards that would greatly enhance energy efficiency financing for affordable housing.

The first proposed standard is for utility data. One of the primary challenges in getting quality data for multifamily whole-property energy and water use is the lack of tenant data when tenant spaces are direct metered by the utility. This missing data impacts not only the front end of our Green Mortgage Loans, but also our ability to fully assess the impact of the energy and water saving improvements over the life of the loan. While there are dozens of utilities around the country that will provide whole-building data, usually in areas associated with city-mandated benchmarking laws, most utilities around the country have not invested in this capability.

We identified the nationwide standardization of utility data requests as a way to influence the whole utility market to move towards whole-building data. We have reached out to the Mortgage Industry Standard Making Organization of the Mortgage Bankers Association, to lead this effort. We will be part of a group that develops a standardized utility data intake form that could be used for all residential multifamily properties. The first goal will be to facilitate Green Financing Loans by enabling lenders to start utility data collection early in the financing process. The second goal will be to socialize the form with utility companies to encourage adoption of a single output standard that can be used across the energy efficiency industry, mortgage finance industry, and by individual property owners seeking to track and improve the performance of their properties.

The second standard is a Solar Technical Assessment. In 2018, we identified the need for and began to develop a standard assessment for solar potential. Through this process, we engaged with solar industry and housing affordability stakeholders through the Network for Energy, Water and Health in Affordable Buildings Challenge Group on Solar Financing. In addition, we interviewed both borrowers and lenders on information and solutions needed to support multifamily properties deploying solar.

The Solar Technical Assessment is a new assessment standard for the solar industry. This assessment will be completed by a solar technical consultant and collects data related to projected savings, income, and expenses of a solar photovoltaic system. Data inputs will also include solar photovoltaic system size, savings projections, system specifications, and available tax rebates and incentives. The standard will provide insight into the cost-savings and expenses related to solar and allow for greater insights into solar feasibility for multifamily properties.



Following are the 2018 Actions under this Objective as published in the December 14, 2018 Duty to Serve Plan:

- Engage the industry to identify opportunities and challenges in setting standards for underwriting or measuring utility savings from Improvements by:
  - Participating in one industry working group that addresses the need for standardization.
  - Engaging with five relevant trade organizations, valuation services, rating groups, bond standards groups or appraisal companies to understand similarities and gaps in measurement in order to address standardization issues.
  - Identify at least two potential industry standards that would facilitate energy efficiency financing.

### **SELF-ASSESSMENT RATING OF PROGRESS:**

- Objective met
- Objective exceeded
- Objective partially completed: 75-99% (substantial amount)
- Objective partially completed: 50-74% (limited amount)
- Objective partially completed: 25-49% (minimal amount)
- Objective partially completed: 0-24% (less than a minimal amount)

### **PARTIAL CREDIT JUSTIFICATION:**

N/A

### **IMPACT:**

- 50-Substantial 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 laying the foundation for future impact in addressing underserved market needs?

We have had great success in educating the mortgage industry about the importance of collecting standardized utility data and are optimistic that this will have a positive impact on not only Fannie Mae's business, but also the market as a whole. Additionally, the Solar Technical Assessment is laying the groundwork for the successful rollout of a Solar Rewards product enhancement. The product enhancement itself will be impactful in the marketplace, providing savings to tenants and increasing properties' affordability, and this assessment enables accurate energy generation projections and ability to underwrite projected utility savings. It is a critical aspect to ensuring savings from renewable energy projects.
2. (Optional): How do actions under this objective support future actions detailed in the Plan for the underserved market? If there have been any changes in the planned next steps or timeline for work under or related to this objective, describe the changes and provide a brief explanation.

The identification of the Solar Technical Assessment as an industry standard helps us meet 2019 goals. We also will build on the successful establishment of the Fannie Mae Energy Duty to Serve Advisory Council (Energy Advisory Council), which will allow us to engage with the Energy Advisory Council to share and validate a plan to encourage industry adoption of standards. Finally, as described above, the new Solar Rewards enhancement relies on new Solar Technical Assessment standards, which will be updated in Fannie Mae documentation in 2019.



3. (Optional): Are there any market factors that adversely impacted the actions under this objective? If so, describe.

N/A

4. (Optional): How did the actions under this objective contribute to increased or future loan purchases for the underserved market?

Each of the Actions undertaken for this Objective will contribute to increased future loan purchase for the multifamily affordable housing preservation market. In particular, standardizing a Solar Technical Assessment will enable the underwriting of projected utility savings costs and allow debt-constrained projects the ability to size their loans appropriately to cover the cost of installation of money-saving solar systems. Furthermore, the Solar Technical Assessment will directly support our proposed Solar Rewards product enhancement, which will increase loan purchases in the affordable housing market.



## **Fannie Mae Affordable Housing Preservation Second Quarter Report: January 1 - June 30, 2018 Outreach**

### **ACTIVITY:**

G. Regulatory Activity: Finance improvements on multifamily properties: (a) which reduce energy or water consumption by tenant or property by at least 15 percent; and (b) where the savings generated over the improvement's expected life will exceed its cost (FHFA Criteria) (12 C.F.R. § 1282.34 (d)(2)).

### **OBJECTIVE:**

2. Facilitate the establishment and dissemination of energy or water efficiency improvements finance industry standards that will facilitate increased liquidity to the multifamily energy efficiency improvements finance market (Partner and Innovate).

### **SUMMARY OF RESULTS:**

We identified and began to engage relevant trade associations, valuation services, rating groups, and appraisal companies to understand the similarities and gaps in energy and water efficiency measurement in order to address standardization issues.

Our outreach included the Mortgage Industry Standards Maintenance Organization, Green Bond Principles, and the Network for Energy, Water and Health in Affordable Buildings, among others. This group of stakeholders identified a number of potential industry standards that could facilitate energy efficiency financing and will work together to finalize recommendations and publish the results by year end.

Following are the 2018 Actions under this Objective:

- Engage the industry to identify opportunities and challenges in setting standards for underwriting, valuations, financing commissions, and measuring utility savings from Improvements by:
  - Participating in one industry working group that addresses the need for standardization.
  - Engaging with five relevant trade organizations, valuation services, rating groups, and appraisal companies to understand similarities and gaps in measurement in order to address standardization issues.
  - Identify at least two potential industry standards that would facilitate energy efficiency financing.

### **SELF-ASSESSMENT RATING OF PROGRESS:**

- On-target to meet or exceed the objective
- Progress delayed and/or partial completion of the objective expected
- Unlikely to achieve any milestones of the objective

### **ADDITIONAL INFORMATION (IF APPLICABLE):**