



## Fannie Mae Affordable Housing Preservation Outreach

### ACTIVITY:

H. Regulatory Activity: Energy or water efficiency improvements on single-family, first lien properties that meet the FHFA Criteria (12 C.F.R. § 1282.34 (d) (3)).

### OBJECTIVE:

1. Increase liquidity for energy or water efficiency improvements through outreach, research, and developing solutions (Analyze, Partner and Innovate, Test and Learn).

### SUMMARY OF RESULTS:

Fannie Mae executed a comprehensive outreach strategy for the energy and water efficiency improvements (Improvements) market, encompassing stakeholder education, feedback solicitation, and research. To better understand and address market needs, we hosted meetings with customers and a diverse set of stakeholders, attended conferences and workshops, and convened the Fannie Mae Energy Duty to Serve Advisory Council (Energy Advisory Council). We worked with the Department of Energy and other expert organizations to understand trends in local policy, homeowner adoption and technical developments influencing use of Improvements.

To increase adoption of HomeStyle® Energy (HSE)—our existing product for financing Improvements—we updated policy to simplify underwriting eligible Improvements aligned with HomeReady® requirements, and included manufactured homes. We also issued a product variance related to financing renewable energy, which can significantly reduce household utility costs, to test-and-learn how to simplify further.

We promoted the importance of Improvements for the underserved market and appropriate financing solutions. We met with lenders, real estate professionals, nonprofits, research institutes, and state and local agencies and furthered their understanding of the availability, terms and conditions, and opportunities to use Fannie Mae mortgage products. We developed customizable training and presentation materials for outreach teams and fact sheets for lenders and realtors. We also updated and streamlined our business web pages. We encouraged lenders to promote and finance Improvements during home renovation projects. Our market leadership was acknowledged through invitations to speak at numerous conferences and events.

Recognizing homeowner awareness is critical, Fannie Mae extended our support for stakeholders to help consumers. We developed a dedicated webpage of resources and launched a social media campaign. We also developed a train-the-trainer course for housing counselors who can inform their clients and delivered it at two NeighborWorks® Training Institutes. We engaged other financiers of improvements to identify ways to partner to increase consumer access to affordable capital. We will continue to evaluate potential partnerships in 2019.

To improve market understanding through data-driven analysis and inform future activities, we undertook several primary research initiatives. We collaborated with Lawrence Berkeley National Labs to explore and publish findings on the relationship between solar Improvements and home values. Partnering with Google, we embarked upon a multi-year consumer behavior study to assess attitudes and the credit impact of energy savings on low- and moderate- income (LMI) homeowners.

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

Engage three industry participants that finance Improvements such as State energy financing agencies, utilities, and solar energy financing companies, to identify potential innovative financing opportunities meeting the FHFA Criteria such as developing plans to partner financing, subsidy, or assistance programs with new affordable homeownership opportunities.



- ☒ Establish a consumer outreach platform, to increase awareness and access to programs that help finance Improvements that includes homeownership education that can be delivered by non-profits or accessed online; that includes a catalog of or links to programs to finance Improvements; that provides access to online tools and other resources such as the Department of Energy's consumer materials; and that facilitates a regular social media schedule such as leveraging Twitter. Target engagement with 10 stakeholders who interact with consumers, including utilities, lenders, HFA, State and local administrators and/or non-profit groups. Ten relationships will be a significant commitment of time and will provide substantial learnings on how to expand engagement in following years.
- ☒ Participate in two key industry conferences and host one in-person energy advisory council meeting with cross-functional industry representation (e.g., utility companies, product manufacturers, lenders, realtors, non-profits, government agencies, and consultants) for the purpose of developing and building relationships and helping to identify and evaluate strategies and partnerships that will help Fannie Mae execute our Plan.
- ☒ Establish business-to-business marketing and outreach that includes providing educational materials and lender webinars or presentations on financing Improvements with Fannie Mae products for the purpose of helping the market to understand availability, terms and conditions, and opportunities for such loans so that lenders will be able and willing to use and originate them. Target engagement of fifteen lenders and five other stakeholders, including HFA, non-profit organizations, and realtor associations. Fannie Mae has chosen to target our five largest lenders of our mortgage loan deliveries in 2016 as well as 10 other lenders that represent geographical diversity. Fannie Mae will also work with HFA in two of the top five most populated States, two of the largest non-profit organizations that counsel homeowners, and the nation's largest association of realtors. Twenty relationships will be a significant commitment of time and will provide substantial learnings on how to expand engagement in following years.
- ☒ Develop and execute a research plan for the purpose of: (1) improving the market and Fannie Mae's understanding of consumer sentiment, needs and opportunities, future trends, business models, and factors driving Improvements and outcomes; (2) assisting us to underwrite Improvements effectively and identify methodologies to meet the FHFA Criteria; and (3) promoting industry awareness and informing future research. Fannie Mae will:
  - ☒ Investigate the opportunity to acquire data related to home energy ratings, solar panel installation, and/or utility usage on Fannie Mae properties and will analyze such data, as well as secondary research, if able to be secured.
  - ☒ Study consumer behavior or sentiment by executing, directly or through a partnership, one primary consumer research survey and/or focus group or other primary research project.
  - ☒ Analyze our portfolio of loans where borrowers have financed energy or home renovation projects to understand geographic and demographic characteristics and performance.
  - ☒ Publish findings related to one of these research outcomes.
- ☒ Create variance terms and/or policy updates that enable Fannie Mae to partner with lenders to test and learn one or more market, economic or operational impacts related to financing Improvements, leveraging products such as HomeStyle Energy or HomeStyle Renovation for the purpose of increasing mortgage loan purchases. Fannie Mae will determine test parameters based on stakeholder input, conduct related economic, and operational impact analyses and issue one lender variance. One or more participating lenders will be chosen based on level of interest and capacity, potential volume, and market focus. The variance outcome will be evaluated in 2019 and success will be based on actual volume delivery relative to projected delivery as well as positive lender feedback on the changes implemented. If feasible, and depending on research, learnings, and analysis, publish one policy update.



## 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?

Fannie Mae's significant outreach work and market presence were impactful in addressing the lack of information and awareness among lenders, real estate professionals, and homeowners and the challenges with financial products and policies. We also laid the foundation to continue to address the important needs of the Improvements market.

The materials we developed, along with meetings and presentations, added clarity for stakeholders about how Fannie Mae supports this market and how homeowners can obtain and finance Improvements. Eleven of the 13 lenders delivering HSE loans for LMI borrowers used the product for the first time in 2018. Several informed us they increased identifying Improvements in home renovation projects; half of HSE loans were within renovations. Direct engagement also helped inform product and policy development and will contribute to future efforts as we continue to evaluate opportunities and initiatives to address market needs. The Energy Advisory Council pulled together leaders from 11 cross-sectional industry organizations who not only provided insight for solving problems but will help Fannie Mae communicate solutions and accelerate initiatives.

Learnings from the lender variance will also inform future product development efforts and shape additional test-and-learn opportunities to increase adoption of Improvements, reduce friction lenders face underwriting them and expand financing opportunities to new participants.

Our resources are driving awareness and helping consumers identify and finance Improvements through the content we deployed directly and through nonprofits and others who serve homeowners. Our training of 20 housing counselors can actually impact hundreds of homeowners with whom they will personally interact. And our work with Framework to incorporate information about Improvements into post-closing email messaging for all Fannie Mae financed HomeReady® borrowers will be delivered to over 150,000 LMI homeowners a year.

The impact of our efforts resulted in a substantial increase in the use of our current HSE product for LMI borrowers, from 12 loans in 2017 to 150 in 2018.

This research was foundational and will continue as we undertake additional steps and study trends over time, continuing to inform Fannie Mae and the industry of the impact of Improvements on home values and consumer behavior, which can increase adoption and willingness to lend.



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.

Most Actions for this Objective provide significant input to ongoing development of products and solutions, to which we have committed in the Plan. The work to date on the consumer platform is an initial start and we are using this foundation to expand our reach in coming years. We held our first Energy Advisory Council meeting in 2018 and will expand meeting and subcommittees, expecting impactful feedback to continue. Also, our test-and-learn work should give us insight to longer-term product and policy changes as we continue to evaluate learnings.

Research will continue, becoming more robust and informing future studies. Additional datasets and modeling approaches will be added to the solar valuation analysis to improve the understanding of relationships. We will also build upon other research work to study trends over time.

3. (Optional): Are there any market factors that adversely impacted the actions under this objective? If so, describe.  
Rising interest rates have significantly hampered the refinance market, decreasing demand for homeowners to use a mortgage product for financing Improvements. As such, lenders have been less receptive to efforts to promote energy-related mortgages to existing homeowners.
4. (Optional): How did the actions under this objective contribute to increased or future loan purchases for the underserved market?

All of our Actions for this Objective have the potential to increase future loan purchases. Increasing awareness among lenders and consumers, simplifying products and policy, and improving the market's understanding through data-driven analysis help create liquidity because homeowners and lenders should have more confidence to use our products to finance Improvements.



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

### **ACTIVITY:**

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### **OBJECTIVE:**

1. Increase liquidity for energy or water efficiency improvements through outreach, research, and developing solutions (Analyze, Partner and Innovate, Test and Learn).

### **SUMMARY OF RESULTS:**

Fannie Mae held collaborative meetings with several industry participants which finance energy/water improvements including state green banks, a nonprofit that designs financing programs, a solar financing company, and utility companies to discuss opportunities to increase access to affordable capital for homeowners. We are currently evaluating proposals to develop future initiatives in 2019.

After evaluating feedback from our customers as well as industry stakeholders, Fannie Mae made policy changes to the HomeStyle® Energy mortgage product, which includes added flexibilities and the removal of certain requirements, to increase use of this financing option. Changes allow for the increase of allowable loan-to-value ratios to align with HomeReady® and the inclusion of manufactured housing. In addition, we are testing other flexibilities and financing opportunities and have developed a product variance specific to solar financing, which will be launched in a pilot.

Working with Nest Labs, Framework Homeownership, and an industry consultant we launched a primary research study focused on understanding how energy savings impact consumer financial health as well as behavior and sentiment.

Fannie Mae is in the process of building out a consumer platform to increase awareness of and access to programs that help finance energy and water efficiency improvements. We are collaborating with industry leaders to develop educational materials for homeowners and housing counselors that will be available through several channels including our own consumer-facing website.

Additional research Fannie Mae has underway this year includes an extensive research project with Lawrence Berkeley National Labs where we acquired data on solar panels and will evaluate it against property values.

Throughout the year, Fannie Mae has been executing business-to-business and industry leadership outreach plans through meetings and presentations with our lender customers and other stakeholders such as real estate professionals.

In April we spoke at the Home Performance Coalition annual conference about our efforts to expand financing and leadership in energy and water efficiency and networked with other participants. We contributed to a blog published by Rocky Mountain Institute about Duty to Serve and our commitment to this market.

Following are the 2018 Actions under this Objective:

- Engage three industry participants that finance Improvements such as State energy financing agencies, utilities, and solar energy financing companies, to identify potential innovative financing opportunities meeting the FHFA Criteria such as developing plans to partner financing, subsidy, or assistance programs with new affordable homeownership opportunities – by Q2 end.



- Establish a consumer outreach platform, to increase awareness and access to programs that help finance Improvements that includes homeownership education that can be delivered by non-profits or accessed online; that includes a catalog of or links to programs to finance Improvements; that provides access to online tools and other resources such as the Department of Energy's consumer materials; and that facilitates a regular social media schedule such as leveraging Twitter. Target engagement with 10 stakeholders who interact with consumers, including utilities, lenders, HFA, State and local administrators and/or non-profit groups – by Q3 end. Ten relationships will be a significant commitment of time and will provide substantial learnings on how to expand engagement in following years.
- Participate in two key industry conferences and host one in-person energy advisory council meeting with cross-functional industry representation (e.g., utility companies, product manufacturers, lenders, realtors, non-profits, government agencies, and consultants) – by Q4 end – for the purpose of developing and building relationships and helping to identify and evaluate strategies and partnerships that will help Fannie Mae execute our Plan.
- Establish business-to-business marketing and outreach that includes providing educational materials and lender webinars on financing Improvements with Fannie Mae products for the purpose of helping the market to understand availability, terms and conditions, and opportunities for such loans so that lenders will be able and willing to use and originate them. Target engagement of fifteen lenders and five other stakeholders, including HFA, non-profit organizations, and realtor associations – by Q4 end. Fannie Mae has chosen to target our five largest lenders of our mortgage loan deliveries in 2016 as well as 10 other lenders that represent geographical diversity. Fannie Mae will also work with HFA in two of the top five most populated States, two of the largest non-profit organizations that counsel homeowners, and the nation's largest association of realtors. Twenty relationships will be a significant commitment of time and will provide substantial learnings on how to expand engagement in following years.
- Develop and execute a research plan – by Q4 end – for the purpose of: (1) improving the market and Fannie Mae's understanding of consumer sentiment, needs and opportunities, future trends, business models, and factors driving Improvements and outcomes; (2) assisting us to underwrite Improvements effectively and identify methodologies to meet the FHFA Criteria; and (3) promoting industry awareness and informing future research. Fannie Mae will:
  - Investigate the opportunity to acquire data related to home energy ratings, solar panel installation, and/or utility usage on Fannie Mae properties and will analyze such data, as well as secondary research, if able to be secured.
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  - Analyze our portfolio of loans where borrowers have financed energy or home renovation projects to understand geographic and demographic characteristics and performance.
  - Publish findings related to one of these research outcomes.
- Create variance terms and/or policy updates that enable Fannie Mae to partner with lenders to test and learn one or more market, economic or operational impacts related to financing Improvements, leveraging products such as HomeStyle Energy or HomeStyle Renovation for the purpose of increasing mortgage loan purchases. Fannie Mae will determine test parameters – by Q2 end – based on stakeholder input, conduct related economic, and operational impact analyses – by Q3 end – and issue one lender variance – by Q4 end. One or more participating lenders will be chosen based on level of interest and capacity, potential volume, and market focus. The variance outcome will be evaluated in 2019 and success will be based on actual volume delivery relative to projected delivery as well as positive lender feedback on the changes implemented. If feasible, and depending on research, learnings, and analysis, publish one policy update – by Q4 end.

### **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):**