



Fannie Mae 2019
Affordable Housing Preservation
Loan Product

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 2019 Actions under this Objective per the December 20, 2019 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"/> Participate in two key industry conferences and host one energy advisory council meeting with cross-functional industry representation to continue to increase Fannie Mae’s understanding of the market and to ensure our work is correctly targeted over the previous year. | Fannie Mae participated as speaker and moderator at the Greenbuild Conference and attended the Better Buildings Challenge Summit, two key industry conferences. In addition, Fannie Mae held four Energy Advisory Council meetings in 2019 with cross-industry representation, one each in April, June, September, and November. | N/A |
| <input checked="" type="checkbox"/> Continue to expand the outreach by engaging in extensive in-person lender meetings and participating in industry conferences to increase awareness and access to energy and water efficiency savings and programs that help finance Improvements. | The Fannie Mae Green and Healthy Housing Financing Business Team participated in dozens of individual lender meetings designed to explain the green mortgage products and their advantages in the market and gather feedback from participants. The team participated in almost 90 meetings across the country in 2019. | N/A |
| <input checked="" type="checkbox"/> Continue to test and confirm actual energy savings on loans purchased through Fannie Mae’s green finance programs. | Fannie Mae partnered with Bright Power to gather extensive data about actual energy and water use and energy and water | N/A |



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| | improvements at financed properties and is in the process of collecting, reviewing, and analyzing this data. | |
| <input checked="" type="checkbox"/> Analyze lessons learned and make adjustments to the plan if necessary. | The Fannie Mae Green and Healthy Housing Financing Business Team conducted research and met with many external stakeholders, including several dozen lenders. Adjustments to the financing and marketing strategies were made, but no changes are needed at this time to the Duty to Serve objectives. | N/A |
| <input checked="" type="checkbox"/> Draft -plan for a white paper to educate key stakeholders on best practices in energy efficiency financing and affordable housing preservation, with the goal to publish during 2020. | Fannie Mae has drafted a work plan for a white paper to be completed in 2020 that will describe lessons learned in energy efficiency finance. | N/A |

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)
- No milestones achieved

PARTIAL CREDIT JUSTIFICATION:

N/A

IMPACT:

- 50 – Substantial Impact
- 40 – Between Meaningful and Substantial Impact



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- 30 – Meaningful Impact
- 20 – Between Minimal and Meaningful Impact
- 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?

Although this objective is about stakeholder engagement and outreach, the impacts can ultimately be measured in terms of the progress we've seen in the green finance industry, particularly for multifamily financing. We will continue to analyze the impacts of our green financing business annually, but the following are a few key indicators and trends that point to our impact in the larger market, and which establish Fannie Mae's leadership in the area of energy- and water-efficient financing:

- Fannie Mae was the first issuer of Green MBS in the country in 2012 and the largest issuer of Green Bonds in the world in 2019, as well as in 2018 and 2017, according to Environmental Finance. This gave us a unique ability to shape the market, such as setting standards for multifamily energy and water audits and normalizing expectations in the investor community for what a Green MBS means.
- Fannie Mae is also the first organization in the country to publish ongoing energy performance metrics for multifamily housing in the Multifamily Green MBS Energy Metrics Report, which has been eagerly awaited by both the housing and the energy and water efficiency industries.
- The Fannie Mae Green Measurement and Verification (M&V) Service, part of the work entered into with BrightPower to analyze actual energy usage and savings, and described above, will provide valuable data to enable us to understand the ongoing impact of and barriers to energy and water efficiency and how best to tailor green loans in the future to positively impact to all our stakeholders.

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

While the level of knowledge about green financing and green improvements among our borrower and lender partners has risen dramatically in the last four years, there is still a significant opportunity to educate the market about the practice and benefits of Green loans. The information gathered from the M&V Service has highlighted both the need for greater upfront understanding among property owners of what their commitments are and the opportunity for additional education at the borrower level to enhance the M&V Service process and results. For example, Fannie Mae has learned that:

- Recommending that borrowers take steps upon loan closing that will make their annual benchmarking and reporting easier, such as including utility data release forms in leasing packages, will both enhance the quality of data received by Fannie Mae and reduce challenges for the borrowers and tenants.
- Encouraging borrowers to obtain a copy of their High-Performance Building Report from the Lender may enable them to make additional green improvements outside of the Green Rewards framework, and ensure that they implement their energy and water efficiency measures as specified in the report.



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Fannie Mae will continue to educate borrowers, lenders, and the market about Green Financing and best practices to increase the likelihood that properties will reach their projected energy and water savings and cost reduction targets.

3. (Optional): If applicable, why were all components of this objective not completed?

N/A



Fannie Mae Affordable Housing Preservation Second Quarter Report: January 1 - June 30, 2019 Loan Product

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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:

At the end of 2018, FHFA increased the level of energy and water savings required to meet Green loan criteria. As a result, Fannie Mae saw a significant drop in loan applications at the beginning of 2019 and through the first quarter.

To educate lenders about the changes to Green Rewards and the Green loan products in general, the Fannie Mae Green Financing team visited 16 cities and held 90 lender meetings with over 500 attendees in total. Fannie Mae has also worked to educate lenders on two important incentives: the new Green Measurement and Verification Service to help borrowers comply with annual energy and water reporting requirements, and the limited time offer to reimburse for Green High Performance Building reports. Based on these efforts, we are seeing excellent results in the pipeline for the second quarter and expect to be able to meet our Green loan targets for Duty to Serve.

Following are the 2019 Actions under this Objective:

- Participate in two key industry conferences and host one energy advisory council meeting with cross-functional industry representation to continue to increase Fannie Mae's understanding of the market and to ensure our work is correctly targeted over the previous year.
- Continue to expand the outreach by hosting roundtables and participating in industry conferences to increase awareness and access to energy and water efficiency savings and programs that help finance Improvements.
- Continue to test and confirm actual energy savings on loans purchased through Fannie Mae's green finance programs.
- Analyze lessons learned and make adjustments to the plan if necessary.
- Draft -plan for a white paper to educate key stakeholders on best practices in energy efficiency financing and affordable housing preservation, with the goal to publish during 2020.

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):