

2024 Affordable Housing Preservation Outreach

ACTIVITY:

F. Regulatory Activity: Finance improvements on multifamily properties: (a) which reduce energy or water consumption by tenant or property by at least 15%; 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:

1. Increase positive environmental and social impact of green financing through development of market awareness and understanding of energy and water efficiency improvements and financing.

INFEASIBILITY:

☐ Check here if the Enterprise is submitting an infeasibility request for the objective.

SUMMARY OF RESULTS:

<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"/> Drive innovation in energy efficiency financing by continuing the dissemination of knowledge, best practices, and new opportunities to industry stakeholders.	Target met through 2024 actions; see subsequent implementation steps.	
<input checked="" type="checkbox"/> Develop and publish a white paper based on the research study conducted in 2023.	Fannie Mae developed and published a white paper in December 2024 on how utility billing structures impact cost savings based on research conducted in 2023.	
<input checked="" type="checkbox"/> Evaluate the results of the research study to determine whether there are opportunities to increase program impact through product development or policy enhancements.	Through this research, we determined that a property's utility billing structure can play a significant role in determining and quantifying who will see cost savings from efficiency measures. A greater understanding of the significance of utility billing will enable property owners and financers to better protect tenant affordability while enhancing property efficiency.	



SUMMARY OF RESULTS CONTINUED:

<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"/> Incorporate new findings from the research workplan developed in 2022 and the research conducted in 2023 into conference presentations and other outreach.	To publicize the white paper, we posted to LinkedIn, highlighted the paper in a December communication to lenders, and developed slides to be incorporated into presentations in 2025 to highlight the key takeaways.	
<input checked="" type="checkbox"/> Evaluate progress of the electrification roadmap developed in 2022 and implemented in 2023, including an assessment of the penetration of electrification concepts and benefits among Borrowers and Lenders, uptake of any products targeted toward supporting electrification, and environmental impact. Continue to share findings by hosting two related sessions for the lender learning series.	<p>As part of the electrification roadmap, we significantly raised the baseline standards for a green building certification (GBC) to qualify for Green Financing. See the Impact Explanation section for additional information.</p> <p>We have assessed the uptake of improvements targeted toward supporting electrification and found that we have not seen a meaningful change in the type of improvements selected for Green Rewards loans. However, interest in electrification has increased as jurisdictions implement Building Performance Standards (BPS) and property owners seek to leverage funding from the Inflation Reduction Act (IRA), as evidenced by queries from lenders and borrowers.</p> <p>We continue to educate lenders and servicers on local regulations and how to assist property owners in meeting standards. In 2024, we worked to support our borrowers seeking to tap into available incentives from the EPA and HUD, including negotiating subordination agreements.</p> <p>We hosted four webinars as part of the Lender Learning Series:</p> <p>March 21, 2024: "Multifamily Decarbonization: What It Means and What to Know"; 256 attendees.</p> <p>June 4, 2024: "Decarbonization and What It Means for Multifamily Properties"; 277 attendees.</p> <p>September 25, 2024: "Green Rewards + Solar PV"; 214 attendees.</p> <p>October 22, 2024: "Heat Pump Basics and Benefits"; 146 attendees.</p>	



SUMMARY OF RESULTS CONTINUED:

<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"/> Continue to show industry presence and leadership by participating at energy efficiency/green building industry conferences.	<p>Members of our Green Financing Team participated in eight industry conferences in 2024.</p> <p>As a speaker or panelist:</p> <ul style="list-style-type: none">• Urban Land Institute Resilience Summit• National Housing & Rehabilitation Association (NH&RA) Sustainable Affordable Housing Symposium• Institute for Market Transformation (IMT) Financing Better Buildings• U.S. Green Building Council Maryland Building Transformation Forum <p>As an attendee:</p> <ul style="list-style-type: none">• Greenbuild International Conference & Expo• Department of Energy Better Buildings Summit• The National Home Performance Conference• The 2024 American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Decarbonization Conference.	
<input checked="" type="checkbox"/> Continue to develop new resources to support lenders and encourage borrowers to pursue deep energy efficiency retrofits.	<p>We developed and updated several resources to encourage the pursuit of deeper energy efficiency retrofits, including:</p> <ul style="list-style-type: none">• A training on heat pumps to educate the industry on this maturing technology.• Spanish versions of two resources to broaden the audience for materials.• A BPS one-pager for lenders and servicers to provide an overview of the laws currently in place and how they can prepare.• Updates to the “Step-by-Step Measurement Setup Guide and Worksheet for Borrowers” to capture the size of a property’s solar photovoltaic (PV) system and track solar generation.	



SUMMARY OF RESULTS CONTINUED:

<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"/> Continue to develop new resources to support lenders and encourage borrowers to pursue deep energy efficiency retrofits. (continued)	<ul style="list-style-type: none"> • Updates to the “Tips for Choosing Energy and Water Efficiency Measures (EWEMs) for Multifamily Borrowers” to address commonly misunderstood EWEMs. • Updates to the Measurement Set-up form to streamline the process of collecting utility credentials. 	
<input checked="" type="checkbox"/> Use knowledge gained from 2023 outreach to lender partners and HPB Consultants to improve guidance and/or refine requirements for green mortgage loans to increase positive program outcomes.	<p>On November 1, 2024, we implemented updates to increase the rigor for a certification to qualify for the GBC program. See the Impact Explanation section for additional information.</p> <p>We identified updates to be made to the energy and water audit (Form 4099.H) that will be published in 2025, including switching from national to Emissions & Generation Resource Integrated Database (eGRID) emission factors to increase precision of the greenhouse gas savings estimates, adding fields to capture current property heating, domestic hot water, and cooling system types. These improvements will allow the Green Financing team to better measure impact and more easily track the electrification of properties.</p> <p>To incentivize installation of solar PV systems with Green Rewards, we updated guidance to allow the reduction of the green efficiency improvements escrows from 125% to 110% of the contracted price for solar PV installation and any associated battery backup.</p>	
<input checked="" type="checkbox"/> Host one convening of the Green Rental Housing Task Force in 2024, building on the 2023 meeting. Continue to solicit and evaluate ideas for increasing the impact of green financing.	<p>We held two Green Rental Housing Task Force meetings in April and October 2024:</p> <p>April 2024: Discussed updates from two of the recipients of the IRA funds reporting research and accounting for cooling and electric vehicle charging loads as part of our Green Rewards product.</p> <p>October 2024: Discussed updates from two of the recipients of the IRA funds reporting research and changes to our GBC program.</p>	



SUMMARY OF RESULTS CONTINUED:

<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"/> Leverage the 2023 Multifamily Energy and Water Survey dataset and develop a report evaluating trends in energy and water consumption in multifamily properties.	Multifamily collaborated with our third-party vendor, Bright Power, to review and analyze the anonymized dataset to understand key findings. We will publish the anonymized data set and survey analysis in Q1 2025, enabling the multifamily efficiency industry to leverage the dataset for further research.	

SELF-ASSESSMENT RATING OF PROGRESS:

- ☐ 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?

In 2024, Fannie Mae continued to lay a foundation for multifamily buildings to meet current and future policy and/or market pressures to improve efficiency. The Green Financing program remains focused on driving energy efficiency improvements in multifamily properties, which also positively impacts resident affordability in most cases.

To achieve this, we increased the rigor by which a green building certification can qualify for Green Financing, continued to educate lenders about electrification efforts, and supported the ENERGY STAR® Score for multifamily properties.

Increasing program rigor

The green building certification program incentivizes multifamily property owners to build, renovate, and operate multifamily properties to high efficiency standards. Because green building certifications have varying levels of rigor and impact, we conduct an annual analysis to evaluate certifications available for multifamily properties based on the required minimum projected energy savings and ventilation requirements. In October 2024, we announced a major update, which increased the minimum baseline for performance and differentiated baselines for existing buildings and newer construction. The certification baseline was raised from 15% better than ASHRAE 90.1-2004 to 5% better than ASHRAE 90.1-2010 for buildings three years or older and 5% better than ASHRAE 90.1-2019 for buildings less than three years old (measured from date of the issuance of the Certificate of Occupancy to the Mortgage Loan Origination date). We differentiated the baselines for existing buildings and newer construction in recognition that, while it is not feasible for most older buildings to meet current new construction energy codes, existing buildings make up the majority of multifamily housing stock and should be recognized for high performance and incentivized to make efficiency improvements.



As part of this program update, we removed 15 certifications from the program and now recognize 30 certifications from 12 organizations. We tie the level of interest rate incentive to the rigor of the certification to incentivize higher standards of efficiency and publish these guidelines to lenders annually.

Building lender understanding of building performance standards

Jurisdictions around the country are adopting BPS laws, which require buildings to meet certain energy or carbon emissions performance standards. Currently, 12 jurisdictions have adopted BPS policies that apply to multifamily properties with dozens more in process. Property owners in some jurisdictions could see fines levied as soon as 2025 for exceeding emissions caps.¹ To prepare lenders and borrowers for the implementation of BPS, we created a new resource for lenders and servicers to provide an overview of BPS and outlined next steps for how to prepare. We also continued to host the Lender Learning Series webinars to provide an overview of electrification and energy efficiency strategies, allow attendees to hear directly from jurisdictions implementing BPS, describe how our Green Financing can help support their efforts, and outline how property owners can leverage new technology such as heat pumps to meet BPS. We polled the attendees to evaluate the comprehension of the topics and effectiveness of the sessions; 55% of respondents said they now understand BPS, and 44% said that while they understand the standards, they would like another session on the topic. Based on the strong attendance and engagement in the Lender Learning Series, our lender education efforts helped lay the foundation for future impact.

Supporting the ENERGY STAR Score for multifamily properties

In 2023, we partnered with industry leaders to launch the 2023 Multifamily Energy and Water Survey. The survey collected property characteristics, utility costs, and whole energy and water consumption data for over 2,200 multifamily properties, including variations in climate zone, size, building type, vintage, and affordability. The anonymized data will be used to update the EPA's 1 – 100 ENERGY STAR Score for Multifamily Housing and the EPA Water Score for Multifamily.

As multifamily buildings become more efficient over time, the data underlying the EPA's ENERGY STAR and Water Scores for multifamily properties must continue to be updated so that scores accurately represent the relative efficiency of properties. These metrics allow building owners and managers to track and compare their energy and water usage and allow them to identify areas for improvement.

To support this Score update effort in 2024, Fannie Mae, in partnership with Bright Power, reviewed the anonymized data collected in 2023, conducted quality checks, and led preliminary analysis to understand key findings. Throughout this process, we worked closely with our EPA partners to iterate on the analysis methodology to ensure it aligned with the EPA's process. We will publish the anonymized dataset and a report outlining key findings and analyzing the survey data. These deliverables will enable the multifamily industry to leverage the data set for further research.

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

In 2024, programs became available to incentivize energy efficiency, with additional funds accessible for properties that meet certain affordability requirements. We will continue to monitor the availability of incentives and educate lenders, where appropriate, on the availability of these incentives through the Lender Learning Series as well as explore opportunities to facilitate pairing these incentives with Fannie Mae Green Financing.

As part of our Green Bond Framework, we collect and disclose property energy and water use metrics for all multifamily Green Mortgage Loans. While some utilities provide whole property utility data quickly and easily, property owners may encounter significant obstacles when seeking access to utility data. These challenges include utilities imposing a fee for reports (eg., \$400/property), requiring non-public information (eg., resident Social Security numbers), and providing the data in an unusable format (eg., verbally or PDF). When whole property utility data is not available, property owners must rely on estimations that may not convey the full impact of the energy and water efficiency measures in both use and cost. Since 2020, 14 utilities that provide property level data as part of Fannie Mae's Green Measurement and Verification Service have addressed some of the challenges outlined, enabling greater utility data access. We will continue to explore opportunities to support access to the whole

¹ "Comparison of U.S. Building Performance Standards," Institute for Market Transformation, April 2024, <https://imt.org/resources/comparison-of-u-s-building-performance-standards/>.



property utility data that supports efficiency improvements, property condition improvements, and cost savings in affordable housing.

Many of the efficiency programs available in the market today are focused on buildings meeting a certain standard of reduction in energy and water use or emissions. As standards of efficiency increase, it becomes more difficult and more expensive for existing buildings to meet the criteria. It is imperative to incentivize building efficiency at all levels to ensure residents of properties of all ages can benefit from efficiency improvements.

3. Optional: If applicable, why was the Enterprise unable to achieve the Plan target?

N/A