

2024 Affordable Housing Preservation Loan Product

ACTIVITY:

G. 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. Reduce homeowner utility costs through loan product enhancements that allow homeowners to finance or refinance energy and water improvements.

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"/> Leverage lessons learned from test-and-learn(s) and/or product enhancements to increase DTS Energy loan purchases.	Target exceeded through 2024 actions; see subsequent implementation steps.	
<input checked="" type="checkbox"/> If high energy budget pilot is successful, expand pilot to additional geographies or migrate to a standard offering.	The high energy budget pilot was determined to be successful, reaching 50 borrowers total in two high energy burden geographies, achieving a 16% response rate and 12% application rate. Based on the outcome of this initial rollout, the pilot was expanded to an additional five high energy burden geographies in October, with outreach underway. Based on initial metrics from the expansion, 99 borrowers were sent Weatherization Assistance Program (WAP) materials, with a 17% response rate and a 9% application rate.	
<input checked="" type="checkbox"/> Identify one policy change or variance offering that streamlines energy and/or water improvement financing and, if feasible, implement in 2024.	We published a <i>Selling Guide</i> update in December 2024 that extended the eligibility period for residential home energy reports, where required, from 120 days prior to the note date to 24 months.	



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"/> Engage 10 lenders to inform them of new product(s) and/or enhancement(s).	We participated in three webinars and industry events, reaching 456 loan officers and mortgage market participants, in addition to engagements with seven individual lenders to inform them of HomeStyle® Energy features and benefits.	
<input checked="" type="checkbox"/> Evaluate 2022 and 2023 progress toward implementing the pipeline of highefficiency homes for low-income buyers in rural areas to determine next steps for the initiative.	In 2024, we continued working with a nonprofit partner, Auburn University Rural Studios (AURS), to provide technical assistance to housing providers building high-efficiency, resilient homes for low-income buyers. In 2024, AURS achieved and exceeded its goal to expand a pipeline of 45 affordable, energy efficient and resilient homes in disaster and underserved areas with 20 partners in 15 states. AURS partnered with Housing Assistance Council (HAC) to create an externally sharable evaluation report of the work completed, which we hope to co-publish in early 2025.	
<input checked="" type="checkbox"/> Design and launch a marketing campaign to promote a suite of resources created to make it easier for lenders to originate, sell, and service HomeStyle loans.	The HomeStyle® Renovation and HomeStyle Energy marketing campaign was launched in July and continued through Nov. 30. Additionally, a new robust training course for the HomeStyle Renovation and HomeStyle Energy loan products was launched on July 17. This campaign drove awareness among key audiences of the HomeStyle Renovation and HomeStyle Energy products and resources available to assist to make it easier to originate, sell, and service HomeStyle loans.	
<input checked="" type="checkbox"/> Complete the Energy Savings Program Finder testing with housing counselors in the pilot states and expand the tool nationally.	We conducted testing of the tool with housing counselors for several months, concluding in May. To expand the coverage of incentives represented within the tool, we partnered with IncentiFind to incorporate a national dataset of energy-saving programs into its reporting, which was included in the January 2025 technology release.	



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?

Energy Savings Program Finder testing and national expansion

Fannie Mae completed testing of the tool with housing counselors in May to assess the effectiveness of the tool as a standalone resource and the importance of an advisor, such as a housing counselor. The testing also provided feedback on the tool and programs it included and whether individuals introduced to the tool would follow through and apply to the energy-saving programs. In the controlled rollout, six housing counseling agencies showed the tool to 261 clients and held 193 follow-up sessions (74% of clients), in which counselors recorded their tool usage outcomes and feedback. As of July 2024, 153 clients had applied to one program and 28 applications were accepted.

A search engine marketing (SEM) campaign supporting the Energy Savings Program Finder tool ran from February 1 – May 31 to raise awareness of available financial resources and drive tool usage in the 10 states for which the tool had program information. The campaign yielded over 29,000 clicks to the tool landing page. Once on the page, nearly 34% of consumers used the tool to learn more about the available energy-saving programs. Additionally, nearly 100% of consumers who navigated to the tool organically through our site during this period made use of the tool. These results indicate both a high level of interest in energy assistance programs and the usefulness of the search tool, bolstering our case to expand the tool beyond the scope of the initial rollout states.

In 2024, we partnered with IncentiFind to incorporate a national dataset of energy-saving programs into the tool, which was released in January 2025. This national expansion increased the coverage of incentives represented within the tool, broadening the number of markets that can be served by its resources. The resulting dataset incorporated into the tool includes information on weatherization assistance, utility bill assistance, energy efficiency and electrification incentives, water conservation, home repair, and resilience programs in all 50 states, the District of Columbia, and U.S. territories. We are providing a tool for homeowners and homebuyers at no cost from our website, which centralizes the many no-cost and low-cost energy-saving and home improvement incentives, rebates, grants, and financing that are offered at the federal, state, local, and utility levels. Our partnership with IncentiFind will allow us to update the data in the tool more frequently, and we are already working together to improve data quality and coverage.



Expansion of high energy budget pilot

In 2023, the most recent full year of data, approximately 6% of our purchase loans were to borrowers with qualifying income less than or equal to 50% of Area Median Income (AMI).¹ Many of these borrowers were eligible for the U.S. Department of Energy WAP, which provides energy efficiency improvements at no cost to the homeowner. A WAP Fact Sheet notes that households receiving WAP services achieve an average of \$372 in yearly energy savings.² Although our Duty to Serve Energy objective is to provide liquidity for loans that finance energy improvements, WAP is a better solution for very low-income homeowners because improvements are provided at no cost. All homeowners, but particularly very-low-income homeowners, should take advantage of any available no-cost or low-cost energy-saving programs before financing energy improvements. Financing should only be an option after the benefits of these programs are exhausted or can be combined to reduce the amount of financing needed. Based on the outcome of the initial rollout in 2023, the pilot was expanded to an additional five high energy burden geographies in October, with outreach underway. The five geographies are the states of Michigan, Pennsylvania, Georgia, Texas, and Arizona.

This addresses the underserved market for energy improvements by making the borrower aware of and assisting them in applying for and obtaining energy improvements at no cost through the WAP program. Of the 99 borrowers in the expansion markets that were provided with WAP materials, initial metrics show a 68% right party contact rate,³ a 17% response rate, and a 9% application rate. This lays the foundation to consider future expansion to the entire country.

Policy change published

In December, we published a *Selling Guide* update to our HomeStyle Energy policy to extend the eligibility date of the required energy report from 120 days to 24 months prior to the transaction date. This will provide increased flexibility for borrowers, allowing homeowners more time to complete an energy report, get quotes from contractors, and finance improvements using HomeStyle Energy.

Broad lender engagement conducted

In 2024, we reached hundreds of realtors and loan officers through seven webinars and three industry events. In October, we held a HomeStyle Energy and HomeStyle Renovation webinar with MGIC, which was attended by 352 loan officers and mortgage market participants. In November, we provided an “Affordable Mortgage Solutions” lender webinar, which included information about HomeStyle Energy and was attended by 104 mortgage brokers. And in August, we provided an overview of HomeStyle Renovation and HomeStyle Energy products at the Tennessee Housing Development Agency annual conference, attended by about 20 people. In September, we presented at the Native community development financial institution regional conference in Maine to share information about HomeStyle Energy and the upcoming launch of the Energy Savings Program Finder tool. We also held individual engagements with seven lenders to inform them of HomeStyle Energy features and benefits. This direct lender engagement resulted in one of our lenders creating a loan product to finance energy improvements for low- and moderate-income homeowners, specifically those with incomes less than or equal to 100% of AMI. This lender has started delivering loans under that program.

Pipeline of highly efficient, resilient homes

With our support, AURS continues to provide design and technical assistance to housing providing partners (HPPs) to construct high efficiency, resilient, and affordable homes, many in disaster-affected areas.

In 2024, AURS achieved and exceeded its goal to expand a pipeline of 45 affordable, energy-efficient and resilient homes in disaster and underserved areas with 20 partners in 15 states. The pipeline continues to grow as this number conservatively reports HPPs with active build projects. AURS is currently engaged in various stages of discussion with 34 partners, with the potential to impact hundreds of homes to be built. A testament to the value of this work, many HPPs are continuing to organically expand the pipeline of homes (there is a surplus of 25 planned homes). Additionally, HPPs are continuing to build to beyond-code

¹ *Fannie Mae Annual Housing Activities Report 2023* (2024), p. 9, <https://www.fanniemae.com/media/50731/display>.

² “Weatherization Assistance Program Fact Sheet,” U.S. Department of Energy, State & Community Energy Programs (2023), https://www.energy.gov/sites/default/files/2023-08/2023-WAP-Fact-Sheet_0.pdf.

³ Right Party Contact is a key performance indicator in customer engagement used to measure how often a call center agent reaches the intended recipient of a call.



standards, including ENERGY STAR® and Zero Energy Ready® Homes, with homes averaging a RESNET HERS® score of 44. To put that in perspective, the average HERS rating in 2023 was 57, which is a very efficient home. The lower the score, the better, meaning a HERS rating of 44 is incredibly efficient compared to both efficient homes and homes built to code. Partners building in disaster-affected areas are also building to IBHS FORTIFIED Home resiliency standards.

The action item for this Duty to Serve implementation step for 2024 calls for an evaluation of the pipeline of home expansion with the lessons learned and next steps. To accomplish this, AURS partnered with HAC to publish an externally sharable evaluation report of the work completed. The report is an online, interactive document that utilizes visuals and data to communicate impact. It shares both qualitative and quantitative lessons learned, the highlights of which are case studies that provide examples of key homes built with nonprofit HPPs, with solutions used to address barriers and maximize performance and affordability. The report provides thought leadership for organizations working to support the expansion of high-performing homes, including lenders and other industry professionals. We have been provided a formal draft of the report for review, with the hope that we will be a co-publisher of the report in early 2025.

HomeStyle campaign launched, and resources published

The HomeStyle Renovation and HomeStyle Energy marketing campaign was launched in July and continued through the end of November. Additionally, a new lender training course for the HomeStyle mortgage products, called HomeStyle Mortgages Unlocked, was launched in July.

The campaign and new course drove awareness of the HomeStyle Renovation and HomeStyle Energy products among key lender audiences while promoting available resources to assist with originating, selling, and servicing HomeStyle loans.

The HomeStyle loans media campaign ran from July 8 – November 30 with the goal of building awareness of HomeStyle Renovation and HomeStyle Energy and informing key audiences of resources available to help lenders originate HomeStyle loans. Media channels included LinkedIn ads, paid search, and programmatic display ads. Overall, the campaign drove approximately 37,000 clicks to our HomeStyle landing pages. Of the three HomeStyle pages, HomeStyle Renovation received the most traffic and engagement. We also drove awareness of our new HomeStyle Mortgages Unlocked education course to instruct lenders on how to originate, sell, and service both HomeStyle Renovation and HomeStyle Energy loans, which garnered over 2,000 unique visits by the end of December.

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

Energy Savings Program Finder testing and national expansion

During the testing of the tool, many housing counseling clients found the tool useful and relevant. Fifty-nine percent of clients were shown the tool, and 81% of those who attended follow-up sessions applied to at least one program, with 69% of applicants noting they would apply to more in the future. Only 14.9% of clients who were shown the tool did not intend to visit the site on their own later; common challenges included frustration with the actual program applications, hesitancy among older adults and Spanish-speakers, and some technical glitches in the tool.

A key need filled by the tool was connecting clients to emergency assistance and programs that covered all costs of upgrades: most applications submitted were for bill assistance, followed by applications for WAP and rebates. Clients who were shown the tool were in counseling for a variety of reasons (36% post-purchase hardship counseling; 22% post-purchase ongoing support; 22% pre-purchase counseling; 10% financial coaching, to name a few).

Housing counselors often offered useful support to clients in identifying their needs and directing them to resources, assisting them in completing the application, and serving as a trusted advisor to bridge the gap between Fannie Mae and the consumer. Clients who reached back out to housing counselors for guidance with applications were 13 times more likely to submit one.



Expansion of high energy budget pilot

Where market conditions may limit the value created by our HomeStyle Energy and HomeStyle Renovation products for underserved homeowners, we can still create lasting impact by leaning into alternative forms of support in our toolkit. A refinance loan product may not be the best option for a household that could otherwise qualify for no-cost programs to reduce their energy and water expenses over the long term. We can play an important role in this space as a facilitator by helping to connect households with this assistance, further deepening our support for underserved markets than what might be achieved through loan purchase activities alone.

Broad lender engagement conducted

Lender meetings informed us of friction in HomeStyle Energy, specifically the difficulty in identifying ENERGY STAR improvements. We are using this input to inform future HomeStyle Energy loan product improvements. It is difficult to identify ENERGY STAR improvements prior to the loan closing. For example, windows are often rebranded and may not be easily traceable to the manufacturer — the manufacturer identifies the windows as ENERGY STAR, but the rebranding company may not. Contractor bids also often do not specify a precise manufacturer and product, but simply reference a new refrigerator, water heater, or HVAC. This poses a significant challenge for lenders to identify eligible improvements prior to close. Based on this lender feedback, we continue to explore ways to help lenders identify eligible improvements or to use technology to remove the need for lenders to flag these loans altogether.

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

N/A



**Affordable Housing Preservation
Second Quarter Report: April 1 - June 30, 2024
Loan Product**

ACTIVITY:

G. Energy or water efficiency improvements on single-family, first lien properties that meet the FHFA Criteria

OBJECTIVE:

1. Reduce homeowner utility costs through loan product enhancements that allow homeowners to finance or refinance energy and water improvements

SUMMARY OF PROGRESS:

We are currently on track to meet or exceed this objective. The purpose of this objective, which contains several implementation steps, is to create product enhancements, programs, and tools to increase Duty to Serve Energy loan purchases and connect borrowers to energy- and water-saving programs in their community. We have included highlights of some of the key activities in the Additional Information section below.

SELF-ASSESSMENT RATING OF PROGRESS:

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

ADDITIONAL INFORMATION (IF APPLICABLE):

High Energy Burden Pilot

Implementation Step: If high energy burden pilot is successful, expand pilot to additional geographies or migrate to a standard offering.

During the first half of 2024, Fannie Mae assessed the success of the high energy burden pilot in order to consider market expansion. The 2023 high-energy-burden pilot, with 50 borrowers in Detroit and Atlanta, remains in flight, with a 16% response rate and 12% application rate. Half of the applicants required additional support from our pilot partner, Money



Affordable Housing Preservation Second Quarter Report: April 1 - June 30, 2024 Loan Product

Management International (MMI), to complete their applications. We believe the pilot has been successful at encouraging very-low- and low-income borrowers in financial distress to apply for the federally funded, locally implemented Weatherization Assistance Program which could significantly reduce their utility bills at no cost.

In Q4 2024, Fannie Mae will expand the high-energy-burden pilot to approximately 350 borrowers in 5 additional high energy burden markets (Michigan, Arizona, Pennsylvania, Georgia and Texas).

Lender Outreach

Implementation Step: Engage 10 lenders to inform them of new product(s) and/or enhancement(s).

We have conducted outreach to 11 lenders delivering the largest volumes of HomeStyle Renovation loans to secure feedback on identifying and delivering HomeStyle Energy loans to Fannie Mae after the ENERGY STAR® enhancement implemented in [need date] which was expected to simplify HomeStyle Energy and enable incremental Duty to Serve eligible loans. Lenders indicated they were having difficulty determining if an improvement was ENERGY STAR certified before loan closing. Contractor bids often do not specify a precise manufacturer and product and use general product descriptions such as “refrigerator.” One lender informed us that windows and doors are often rebranded without adding the rebranded product to the energystar.gov product list.

Pipeline of High-Efficiency Homes

Implementation Step: Evaluate 2022 and 2023 progress toward implementing the pipeline of high-efficiency homes for low-income buyers in rural areas to determine next steps for the initiative.

Auburn University Rural Studio (AURS) continues to provide design and technical assistance to 16 housing provider partners that have 45 homes “in the pipeline” with an additional 10 homes to be built with various partners. The pipeline of 45 high-efficiency homes for low-income buyers in rural areas was our cumulative target for the 2022 and 2023 program years. As of the end of June 2024, 45 homes have completed construction and 33 are funded and permitted.

New partners have emerged (post-pipeline) and committed to building multiple AURS houses. These partners include United Housing Inc. and East St. Tammany Habitat for Humanity.



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In addition to the technical assistance provided, AURS has continued to receive global recognition for excellence in resilient and energy efficient design and construction:

- The AURS house at 201 Kings Hill Road (Detyrick’s House)—a pipeline house—is currently featured in the International Architecture Biennale Rotterdam.
- Pipeline project 4852 Oak Drive was awarded the 2024 Best in Climate Resilience Award from the Habitat House Design Contest (by Habitat for Humanity International).

As part of the evaluation and review of the expansion of the pipeline of high-performing homes in previous years, AURS has developed “case studies” of various Front Porch Initiative projects that are hosted on the AURS website(<https://frontporch.ruralstudio.org/case-studies/>), such as the Chipola Street Development.

Technical Edit

As anticipated in the Evaluation Guidance, we are describing a proposed technical edit to the implementation steps under this Objective.

We are adding new implementation steps which reflect significant bodies of work that support loan products directly or provide tools to borrowers to help them make energy- or water-saving improvements. Additionally, we are recommending changes to the Plan language that reflect the feasibility challenges of product development and policy changes. Furthermore, we want to update the Plan to indicate what area we will report impact on. Since we already achieved implementation step involving the green bond, we are recommending removing that step.