

2025 Affordable Housing Preservation Loan Product

ACTIVITY:

G. Support the rehabilitation of single-family homes (12 C.F.R. §§ 1282.34 (e) and 1282.36(c)(3)).

OBJECTIVE:

1. Increase or improve the quality of single-family homes through dedicated outreach and loan product development.

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"/> Continue to expand solutions for the rehabilitation of single-family homes that promote habitability, safety, and longevity.	Product changes to HomeStyle® Refresh (formerly HomeStyle® Energy) were completed in 2025 that will support both small-scale renovation and options for environmental hazard remediation. Both of these flexibilities enable the rehabilitation of aging single-family housing stock.	
<input checked="" type="checkbox"/> Pursue innovation of the HomeStyle® Energy loan product to include options for environmental hazard remediation.	HomeStyle Energy has been rebranded under the name HomeStyle Refresh, and the product eligibility expanded to include any type of cosmetic or functional improvement, along with environmental remediation for mold, lead, or asbestos. The changes to the product guidelines will make it easier for more lenders to offer renovation options to their purchase and refinance borrowers.	
<input checked="" type="checkbox"/> Perform an analysis of common environmental hazards (such as mold, asbestos, and lead) and their remediation costs that could be addressed under this expansion.	We leveraged available cost data, including from the Detroit Home Repair Fund, to guide the scope of eligible improvements under HomeStyle Refresh, ensuring the product addresses common and high-cost repairs in older homes. Examples include mold and asbestos remediation, roof and window replacement, and essential electrical and plumbing work, with average costs ranging from about \$3,000 to over \$11,000.	



<input checked="" type="checkbox"/> If feasible, implement a policy change informed by findings that is designed to ease the burden of environmental hazard remediation for the consumer.	Product changes in 2025 include the ability to finance the costs of environmental remediation for mold, asbestos, and lead. As part of the name rebranding, additional clarity was added to the <i>Selling Guide</i> to specifically address that the product could be used to finance environmental hazard remediation for lead, mold, or asbestos.	
<input checked="" type="checkbox"/> Continue development of a small-scale renovation solution to support repairs and improvements for aging housing stock.	The HomeStyle Refresh product expands the renovation options to include functional and cosmetic improvements, allowing for up to 15% of the as-completed value for renovation costs and an initial disbursement of up to 50% of renovation costs at the time of closing. The product does not require any special approval to deliver prior to completion of the improvements, so it is broadly available as a product option for all lenders, which expands renovation options to more borrowers.	
<input checked="" type="checkbox"/> Assess feasibility and market need through targeted outreach to lenders not currently participating in our renovation programs.	Initial lender feedback has suggested interest in this product by lenders who are not currently participating in HomeStyle Renovation. HomeStyle Refresh will be open to all lenders without special approval, and loans will be delivered with recourse, which will be removed upon receipt of proof of completion.	

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?

A large share of owner-occupied homes in the United States are older structures. American Community Survey data show the median age of a home is trending around 40 years, with about 50% of owner-occupied homes built before 1980 that may predate modern building codes and standards¹. Older homes are more likely to have lead-based paint and other hazards. Housing and Urban Development's (HUD's) American Healthy Homes Survey II estimates more than 34 million homes, approximately 30% of all housing units, have lead-based paint, with hazards concentrated in homes built before 1978². Low- and moderate-income (LMI) households are more likely to be living in older homes and therefore are at higher risk for lead hazards. These households are also more likely to occupy properties in need of major repairs (roofing, plumbing, HVAC, outdated electrical systems). Up-front costs to address these kinds of health and safety issues can be thousands of dollars and be prohibitively expensive, leading to deferred maintenance. Compounding the problem further, deferred maintenance increases the likelihood that a unit becomes uninhabitable and may reduce affordable supply over time. Preserving these homes is critical to the overall strategy of improving affordable housing supply, particularly for LMI households.

Fannie Mae supports homeowners who need to repair and renovate their properties through our HomeStyle loan products, including HomeStyle Refresh. Historically, there have been challenges with this approach that have limited adoption and delivery volume, and therefore the impact to LMI borrowers has been difficult to achieve. Lender feedback indicated that additional clarity was needed on eligible uses for the product, including for environmental remediation (e.g., lead/asbestos removal) or improvements to help properties better withstand severe weather. This may have limited use of the product beyond energy-focused upgrades. In response to this feedback, and the growing need for support on aging housing stock as a means of preserving affordable supply, we announced changes in December 2025 that rebranded and expanded the product into what is now known as HomeStyle Refresh. This includes an expanded scope of eligible improvements for functional and cosmetic items — such as kitchen/bath updates, flooring replacement, roof repair, or accessibility modifications — which will not only help to address deferred maintenance but also support the ability of homeowners to age in place. We have also provided clarity on environmental hazard remediation (mold, asbestos, and lead removal) as eligible improvements. Further, we enabled financing for the construction of an accessory dwelling unit (ADU). Although the 15% as-completed value limit on improvements may limit how often this option can be used, ADUs can still help improve long-term property utility, support caregiving arrangements, or generate rental income that stabilizes homeowner budgets.

In addition to the expanded scope of eligible improvements, we have also added flexibility for lenders and borrowers operationally in ways that may improve lender participation:

- *Contingency reserve is no longer required; lender may hold up to 20%.* This change reduces administrative requirements.
- *Initial disbursement at closing up to 50% of total renovation costs.* Faster access to funds helps borrowers and contractors start work promptly, reducing delays and cost escalation in rehabilitation projects where timing affects pricing.

Collectively, these changes help to position the product as an effective rehab and repair solution in our toolkit for preserving aging housing stock in underserved markets. They are designed to encourage lender engagement, which is a prerequisite to impacting underserved markets at scale. Streamlined terms and broader use cases address operational barriers cited by lenders, increasing the likelihood that this product will be helpful in addressing the needs of LMI homeowners. During early product development discussions, we sampled feedback from seven lenders, three of whom actively deliver HomeStyle Renovation loans and four of whom do not. Their combined deliveries last year represented over 53,000 loans across all 50 states. Lenders not currently offering HomeStyle Renovation recognized the value of a solution that helps borrowers address repairs across an aging housing stock. Their feedback underscored the market need for a product that is simple to implement at scale and confirmed the relevance of HomeStyle Refresh. Since the December publication, multiple lenders have proactively sought guidance on how to operationalize the product, demonstrating clear and growing interest given improved flexibility. The product will become available in Desktop Underwriter® (DU®) beginning in Q2 of 2026, and we will continue to observe how the changes are received by the market. Continued engagement with lenders that have implemented the new scope will inform potential policy refinements in 2026 and beyond to further target the specific needs of LMI homeowners.

¹ U.S. Census Bureau, American Community Survey (ACS), Table B25035: Median Year Structure Built, 2022 Estimates. <https://data.census.gov/table?q=B25035>

² HUD USER, "Lead Hazards in U.S. Housing: The American Healthy Homes Survey II," *PDR Edge Trending*, March 8, 2022, HUD USER Archives, <https://archives.huduser.gov/portal/pdredge/pdr-edge-trending-030822.html>



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

In 2025, we focused on making renovation financing simpler for lenders and more accessible for homeowners. Lender feedback and repair cost data guided our product design, including meeting with multiple lenders to review the existing product pain points and gather feedback on the proposed policy changes. Of those lenders we met with who were not currently participating in HomeStyle Renovation, all expressed interest in a product that would support limited-scope repairs without the need for special lender approvals. Operational simplicity, especially around escrows and disbursements, was also cited as a key element to adoption. Simplified products are also more likely to expand lender participation in a way that specifically benefits underserved homeowners, including from smaller lenders and those serving rural areas, so that borrowers in these markets have more options to fund repair costs. Lenders also shared feedback regarding the recourse delivery requirement that is part of the updated product structure, which was a deterrent particularly among community-based institutions. This highlights risk-sharing flexibility as a potential path to improve scale for this type of lending in underserved markets, but this approach must be balanced with our safety and soundness requirements.

In addition to product flexibilities, there are economic constraints we can strive to address that also impact borrowers' ability to fund critical home repair projects. In a high-interest rate environment, capacity for additional debt is significantly diminished among LMI borrowers, highlighting the need for subsidy funds as part of a "layered" approach. These subsidy funds include resources like grants, rebates, or utility assistance. To help facilitate access to these types of resources, which enable loan delivery by filling funding gaps in a transaction, we maintain the Home Improvement Savings Finder (HISF) on fanniemae.com. HISF is a public search tool that aggregates programs available within the U.S., such as incentives, tax credits, grants, and utility assistance, that can offset the cost of improvements that promote health, safety, and longevity.

As part of our work to expand and clarify the scope of eligible improvements under HomeStyle Refresh, we leveraged existing data on environmental hazard remediation costs and other common repairs to inform product design. As an example, data available from the Detroit Home Repair Fund included the below cost findings from 475 homes in the Detroit area with deep repair needs³:

- Mold remediation: average of \$3,547
- Asbestos remediation: average of \$3,074
- Roof repair/replacement: average of \$11,581
- Window repair/replacement: average of \$4,214
- Electrical repair: average of \$3,487
- Plumbing repair: average of \$4,073

Repair costs to preserve critical infrastructure within aging properties can be significant, ranging up to thousands of dollars per repair, and disproportionately impact LMI communities who are more likely to live in older homes. Without the ability to fund these repairs, health and safety risks from lead, mold, or unsafe wiring can impact the livability of the property and quality of life for the homeowner as issues compound. High remediation costs demonstrate why financing specifically geared toward preservation is necessary to address these costs and must be designed with underserved homebuyers in mind.

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

N/A

³ Enterprise Community Partners, Detroit Home Repair Fund Impact Report (November 2025), <https://www.enterprisecommunity.org/sites/default/files/2025-11/DHRF-Impact-Report.pdf>