Fannie Mae
Affordable Housing Preservation
Loan Purchase

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:

3. Purchase multifamily loans that finance energy or water efficiency improvements that meet the FHFA Criteria (Do What We Do Best).

SUMMARY OF RESULTS:

Fannie Mae spent much of 2018 developing and testing a robust methodology to identify and count Green Rewards and Green Building Certification loans that meet all stated affordability and energy/water savings criteria for receiving Duty to Serve (DTS) credit. After finalizing and implementing the methodology, Fannie Mae acquired 1,072 loans that meet FHFA's criteria, exceeding our target of 622 by 72 percent.

In total, Fannie Mae's Green Financing production volume totaled over $20 billion in 2018. Fannie Mae's commitment to Green Rewards and Green Building Certification loans means reduced negative environmental impact, increased numbers of green construction and maintenance jobs, and enhanced preservation and affordability for multifamily affordable housing properties.

Caroline Arms Apartments is among the transactions we closed in 2018. The 204-unit property located in Jacksonville, Florida has 161 units (79 percent) covered by an existing Section 8 contract, while the remaining 43 are Section 236 LIHTC units. The buyer plans to restrict all units to 60 percent area median income. Caroline Arms will undergo various Green Rewards improvements, including high efficiency HVAC systems in all units, in-unit and common area high efficiency LED lighting, solar panels, ENERGY STAR® rated refrigerators, and low flow faucets, showerheads, and toilets in all units. The improvements are projected to reduce energy usage by 32 percent and water usage by 26 percent. Our efforts in purchasing loans that finance energy and water efficiency improvements have been extensive in 2018, and we believe this business will grow in future years under the Plan, in part due to our partnership with Bright Power that eases the energy savings reporting process for borrowers.

Another recent example of a Green Rewards Affordable Housing loan is Pleasant East, a 111-unit affordable housing property in New York City. Pleasant East will undergo various Green Rewards improvements, including replacement of boilers and heating systems, in-unit and common area high efficiency LED lighting, solar panels, ENERGY STAR rated appliances, and low flow faucets, showerheads, and toilets. The improvements are projected to reduce energy usage by 23 percent and water usage by 26 percent, and will translate into savings for both the owner and tenants.

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

☒ Purchase 622 loans that meet the FHFA Criteria, representing an approximate 10 percent increase over the Baseline.

☒ Confirm loan purchase goals for 2019.

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)

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?

   Since we launched Green Rewards in 2016, we have continuously rolled out improvements to our underwriting and loan delivery processes, from streamlined High Performance Building Reports (HPBR) tools to new DUS Gateway® functionality. Near the end of 2018, we announced a major new service for our borrowers to streamline and simplify the reporting of energy and water performance data annually. Fannie Mae engaged a service provider, Bright Power, to collect utility bills at each Fannie Mae financed Green Rewards and Green Building Certification property and generate reports for the borrower and our lenders on the property energy and water performance. The same data will be provided to Fannie Mae to fulfill the borrower's annual reporting requirement. This new service fully addresses FHFA's requirement in the 2019 Scorecard to have a third-party service collect energy and water data annually, while also making it easier for multifamily owners with Fannie Mae Green Loans to track and report energy and water data.

   This service came right after our October launch of new functionality in Fannie Mae data systems. This new upload process for High Performance Building Reports for Green Mortgage Loan streamlines loan delivery, by checking for errors and confirming successful uploads. The upload process also allows Fannie Mae to generate insights on the performance and value of the Green Book of Business that we communicate with internal and external stakeholders.

   Both upgrades described above will have a meaningful impact on the number of loans that finance energy and water efficiency in the affordable housing space.

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.

   Fannie Mae will continue to offer the financial incentives for Green Financing in the market, including a lower interest rate than on non-Green loans, up to an additional 5 percent in loan proceeds, and a 100 percent free energy audit paid for by Fannie Mae. These Actions will support green loan purchases now and in the future. With the addition of Bright Power as a third-party reporting service and a new upload process for HPBR that streamlines loan delivery, we expect our Green Rewards products to become additionally attractive to borrowers and believe we will continue to lead the market in green loan purchases. Additionally, in 2018, we established the Fannie Mae Energy Duty to Serve Advisory Council (Energy Advisory Council), whose members are energy efficiency and housing leaders and provide valuable guidance and insight into the market. We will continue to utilize their expertise as we focus on increasing our loan purchases in 2019 and 2020.

3. (Optional): Are there any market factors that adversely impacted the actions under this objective? If so, describe.

   N/A

4. (Optional): How did the actions under this objective contribute to increased or future loan purchases for the underserved market?

   In November of 2018, FHFA redefined the 2019 Scorecard cap exclusion requirement for Green Financing and required the use of a third party to collect and report energy and water performance data. We analyzed Green Rewards deals delivered in 2018 to see how they might qualify under the 2019 requirements, and data shows the Green Rewards deals in the pipeline will, for the most part, continue to work well with the new requirements. Fannie Mae will continue to educate lenders, borrowers, and other stakeholders on both the challenges and opportunities associated with these changes to ensure that we can be as impactful as possible in 2019 and beyond given the new requirements. The new third-party reporting process, in conjunction with the new streamlined HPBR upload process, should improve our efficiency and ability to deliver loans that meet all stated affordability and energy/water savings criteria for Duty to Serve. Additionally, through the strong relationships we built and the knowledge we gained from outreach and our Energy Advisory Council , we believe we will be able to maintain our significant role in green financing.

ACTIVITY:

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

3. Purchase multifamily loans that finance energy or water improvements that meet the FHFA Criteria (Do What We Do Best).

SUMMARY OF RESULTS:

Following are the 2018 Actions under this Objective:

- ☐ Purchase 622 loans that meet the FHFA Criteria, representing an approximate 10 percent increase over the Baseline.
- ☐ Confirm loan purchase goals for 2019.

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):

Fannie Mae
Affordable Housing Preservation
Second Quarter Report: January 1 - June 30, 2018
Loan Purchase

ACTIVITY:

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

3. Purchase multifamily loans that finance energy or water efficiency improvements that meet the FHFA Criteria (Do What We Do Best).

SUMMARY OF RESULTS:

Fannie Mae has partnered with Bright Power, Inc. to perform a comprehensive review of our green loan portfolio. Together we'll develop a methodology to analyze whether the reduced utility savings generated over an improvement's expected life exceed the upfront costs of its installation so that we can report on those loans meeting the Duty to Serve requirements by year end.

As of the end of Q2 2018, Fannie Mae had acquired 549 Green Rewards and 13 Green Building Certification loans. The majority of these loans, we believe, will meet the Duty to Serve eligibility requirements.

Following are the 2018 Actions under this Objective:

- ☐ Purchase 622 loans that meet the FHFA Criteria, representing an approximate 10 percent increase over the Baseline.
- ☐ Confirm loan purchase goals for 2019.

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):

Fannie Mae
Affordable Housing Preservation
Third Quarter Report: January 1 - September 30, 2018
Loan Purchase

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:

3. Purchase multifamily loans that finance energy or water efficiency improvements that meet the FHFA Criteria (Do What We Do Best).

SUMMARY OF RESULTS:

We are still in the process of developing and testing a methodology to identify and count Green Rewards and Green Building Certification loans that meet all stated affordability and energy/water savings criteria for receiving Duty to Serve credit. We are on track to finalize that methodology and projected loan count by the end of 2018. Having added a total of 297 Green Rewards and Green Building Certification loans in Q3, Fannie Mae has brought its 2018 total to 846 Green loans, the majority of which we believe will meet the Duty to Serve eligibility requirements.

Caroline Arms Apartments is among the transactions we closed in Q3. The 204-unit property located in Jacksonville, Florida has 161 units (79%) covered by an existing Section 8 contract, while the remaining 43 are Section 236 LIHTC units; the buyer plans to restrict all units to 60% AMI. Caroline Arms will undergo various Green Rewards improvements, including high efficiency HVAC systems in all units, in-unit and common area high efficiency LED lighting, solar panels, ENERGY STAR rated refrigerators, and low flow faucets, showerheads, and toilets in all units. The improvements are projected to reduce energy usage by 32 per cent and water usage by 26 per cent. Additionally, Caroline Arms will offer tenants free heat and hot water, resulting in further reductions in utility costs to residents.

Following are the 2018 Actions under this Objective:

- ☐ Purchase 622 loans that meet the FHFA Criteria, representing an approximate 10 percent increase over the Baseline.
- ☐ Confirm loan purchase goals for 2019.

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):