



Fannie Mae 2020  
Affordable Housing Preservation  
Loan Product

**ACTIVITY:**

H. 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:**

2. Increase liquidity for energy or water efficiency improvements that meet the FHFA Criteria by facilitating the adoption of enhanced industry standards and purchasing loans (Partner and Innovate, Do What We Do Best, Test and Learn).

**SUMMARY OF RESULTS:**

Following are the 2020 Actions under this Objective per the January 1, 2021 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"/> Based on outcomes in 2018 and 2019 and to further accelerate and sustain industry standardization efforts and liquidity for Improvements:	•N/A	•N/A
<input checked="" type="checkbox"/> Based on the 2019 evaluation of the Uniform Loan Delivery Data dataset, implement support for selected energy and water efficiency Improvements in the current version of ULDD and inform the ULDD committee as appropriate.	•Fannie Mae's 2019 evaluation revealed that lenders would not be in a strong position to furnish additional data until, at a minimum, the appraisal forms are updated and deployed in 2022. In the interim, we are pulling energy efficiency data from other industry sources to meet market demand for data. This data may support future Uniform Loan Data Delivery (ULDD) improvements.	•N/A
<input checked="" type="checkbox"/> To inform the redesign of the Uniform Appraisal Dataset and forms specified in the 2019 Scorecard for Fannie Mae, Freddie Mac and Common Securitization	•The Uniform Appraisal Dataset (UAD) Work Group continued to meet monthly in 2020. The June stakeholder meeting included reviewing energy and green-related fields that are still being considered	•N/A



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<p>Solutions, work with the Uniform Data Committee to gain consensus for updating the appraisal form to include identified fields for property-level information about energy and water efficiency features.</p>	<p>for the updated UAD.</p> <p>The UAD Work Group will continue to meet with a plan to finalize the new UAD Specification and output report (URAR) by the end of 2021 allowing vendors and lenders to develop and update systems in the 2022-2023 timeframe. The energy improvement and PACE refinancing fields will be included in the new Universal Residential Loan Application (URLA), which will be launched in March 2021, delayed due to the pandemic.</p>	
<p><input checked="" type="checkbox"/> Continue to lead industry meetings to evaluate the status of implementation of appraisal, MLS, and delivery data standards and identify additional changes. Assess progress and required actions to address challenges.</p>	<p>•We continue to co-lead, with Freddie Mac, the UAD Work Group meetings, which will guide a significant amount of data standardization in the coming years. Additionally, we have engaged with industry stakeholders such as home energy raters, a home energy rating software provider, and a non-profit that has created energy, water, and green certification datasets to be integrated into loan delivery or into some Multiple Listing Services (MLS). We continue to seek to understand datasets that are available in the industry that can be incorporated into loan delivery and MLS, and also used to conduct loan-level analysis while evaluating how Fannie Mae can assist in</p>	<p>•N/A</p>



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	industry standardization of these datasets.	
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**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
- 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?**

We continue to build the foundational capabilities for energy, water, and green data standardization. With Freddie Mac, we co-led the UAD Work Group and held a stakeholder meeting in June to debate the various data fields related to energy, water, and green certifications.

Instead of relying solely on a new UAD Specification and output report (URAR), which will be rolled out to the industry at the end of 2021 for vendors/lenders to begin developing and updating systems in the 2022-2023 timeframe, we have started to build our own database of green home certifications and ratings while also identifying other energy-related datasets that could be incorporated into this database in the future. This new database is impactful because, with energy, water, and other green data integrated into our collateral data loan delivery system, we will be able to conduct loan-level analysis to determine the correlation of these green attributes and improvements to loan performance. This information could help us create loan products that encourage the adoption of specific utility-saving home improvements for low- to moderate-income (LMI) borrowers that have a meaningful impact on housing affordability.



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Moreover, Fannie Mae seeks to acquire more data than may be available in the updated UAD and URAR, including more granular data about building components, appliances, and equipment that could guide more tailored energy loan products for LMI borrowers in the future.

Additionally, we purchased 277 loans in 2020, which exceeded what we had anticipated when the pandemic caused institutions to shift resources away from our energy product to meet refinance demand and to roll out forbearance options. LMI energy loan deliveries in 2020 are almost entirely comprised of refinanced PACE debt, allowing homeowners to secure lower interest rates and better terms on outstanding debt used to make energy-efficient upgrades to their homes.

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

Accurate, trustworthy, and verifiable data, available at the time of sale, refinance, and during an appraisal, will allow real estate agents, lenders, and the Enterprises to appropriately value a home during a home sale or refinance. The Affordable Housing Preservation market would benefit from this availability of data in at least two ways:

- Homebuyers: When searching for a home to purchase, LMI borrowers would be able to identify more energy efficient homes and thus have lower utility costs. Fannie Mae's role in promoting the energy- and green-related datasets could provide quicker adoption of the information in the real estate transaction process.
- Homeowners: When refinancing, an energy efficient home may be eligible for a loan product with more favorable terms than a loan for a home that is not energy efficient. When selling the home, an LMI homeowner could potentially sell an energy efficient home at a higher price than a non-energy efficient home. Fannie Mae can help the industry understand the value of energy efficient homes with additional research and data analysis.

Through our 2021 plans, we will continue this effort to use data to drive adoption and serve the Affordable Preservation Market, including capturing property-level energy-efficient data, beginning to estimate the energy burden of LMI borrowers, and exploring ways to incorporate lower utility costs, improved health, and indoor air quality into homeownership sustainability.

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



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**OBJECTIVE:**

2. Increase liquidity for energy or water efficiency improvements that meet the FHFA Criteria by facilitating the adoption of enhanced industry standards and purchasing loans (Partner and Innovate, Do What We Do Best, Test and Learn).

**SUMMARY OF RESULTS:**

We have acquired 20 loans meeting FHFA criteria. We have been working on identifying loans delivered to Fannie Mae that include energy and water improvements which may positively impact our eligible loan count in the second half of the year. The majority of the HomeStyle Energy loan volume we are experiencing is from refinancing of existing energy-related debt, such as refinancing PACE or other residential rooftop solar loan debt. This use of HomeStyle Energy is not eligible for Duty to Serve credit, even if the borrower has an income below AMI. Some feedback that we have received from lenders who have either already adopted the HomeStyle Energy variance we implemented in 2019, or are considering adopting it 2020, is that due to historically low mortgage interest rates and the onset of Covid-19, borrowers have only been interested in refinancing or addressing Covid-19-related mortgage concerns such as forbearance.

Under the Uniform Mortgage Data Program (UMDP) and direction from FHFA, we are undertaking a joint effort with Freddie Mac to update and redefine the Uniform Residential Appraisal form and accompanying data used by the GSEs. This is a multi-year initiative to redesign the Uniform Residential Appraisal Report (URAR) and input mechanisms and update the Uniform Appraisal Dataset (UAD) from the current MISMOv2.6 reference model version to the latest version of MISMO v3.X. In 2020, the UAD Joint Team has gained consensus on the energy, water, and related data fields and has convened an industry stakeholder group for feedback during its monthly meeting in June. In addition, the Uniform Residential Loan Application (URLA) and DU Spec updates have been finalized which include a few energy-related questions; however, the implementation mandate date of the new form and data has been delayed until March 2021 due to Covid-19.

We continue to support the United States Department of Energy Home Energy Score Reports when available in an MLS listing by creating a presentation to guide lenders and borrowers in



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financing energy and water improvements. An onsite HomeStyle Energy training in Oregon for lenders was cancelled indefinitely due to Covid-19. We are continuing to identify datasets external to Fannie Mae which may tie to the ULDD dataset when loans are delivered to Fannie Mae.

Following are the 2020 Actions under this Objective:

Based on outcomes in 2018 and 2019 and to further accelerate and sustain industry standardization efforts and liquidity for Improvements:

Based on the 2019 evaluation of the Uniform Loan Delivery Data dataset, implement support for selected energy and water efficiency Improvements in the current version of ULDD and inform the ULDD committee as appropriate.

To inform the redesign of the Uniform Appraisal Dataset and forms specified in the 2019 Scorecard for Fannie Mae, Freddie Mac and Common Securitization Solutions, work with the Uniform Data Committee to gain consensus for updating the appraisal form to include identified fields for property-level information about energy and water efficiency features.

Continue to lead industry meetings to evaluate the status of implementation of appraisal, MLS, and delivery data standards and identify additional changes. Assess progress and required actions to address challenges.

Purchase between 200 and 250 mortgage loans that meet the FHFA Criteria.

**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):**