



August 9, 2024

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Re: Request for Input: 2025-2027 Duty to Serve (DTS) Underserved Markets Plans

Marcea Barringer:

The Insurance Institute for Business & Home Safety (IBHS) is pleased to offer the following comments for your consideration in response to FHFA's **Request for Input: 2025-2027 Duty to Serve Underserved Markets Plans**.

We applaud Fannie Mae and Freddie Mac (the Enterprises) for committing to educate affordable housing developers about climate resilient housing. We strongly urge the Enterprises to also identify ways they can increase the supply of climate resilient housing to help the Enterprises reach its goals to make housing affordable and ensure a stable housing market.

The Enterprises' goals are to 1) make housing attainable and affordable; 2) provide liquidity when and where it is needed most; and 3) help keep borrowers and renters in their homes and promote market stability. We believe these goals cannot be fully achieved without climate resilient housing.

Climate resilient homes contribute to a stable housing market by keeping families housed after severe weather.

Homes not sufficiently resilient to withstand knowable risk from severe weather pose financial risks to homeowners and the Enterprises that provide liquidity for these loans.

A 2023 IBHS and CoreLogic [study](#) showed that borrowers living in homes that are not built to modern building codes and that suffer damage after severe weather like hurricanes – are more likely to default on their mortgages. The vicious cycle of increasingly severe weather, displaced families, and catastrophic financial losses is unaffordable and threatens market stability. This cycle of destruction can be stopped. Climate resilient housing ensures homes remain intact, families remain housed, and the housing market maintains stability—such housing is not possible with increased investment.

Climate resilient homes contribute to a stable housing market by keeping homeownership affordable long-term.

Climate resilient homes can help keep recurring housing costs manageable, allowing families to stay in their homes long term which contributes to a stable housing market.

Housing is not affordable unless it provides savings to the resident not just on the day of purchase (or lease signing), but on an ongoing basis as well. Generally, risk reduction results in avoided damages from severe weather and insurance price considerations reflect this reduction in risk. For example, Alabama [requires](#) all insurers provide residential and commercial policy holders with discounts, once their structures have been built or retrofitted to IBHS's FORTIFIED standards. [Discounts](#) range from 35 percent to 60 percent on the hurricane portion of a policyholder's premium and discounts from 20 percent to 35 percent on the other wind portion of the premium. Price considerations for FORTIFIED designations are or will soon be required in Louisiana, Minnesota, Oklahoma, and Kentucky and are available from certain insurers voluntarily in many other states. Because families who live in climate resilient homes enjoy lower property insurance premiums, they are more likely to stay in their homes long term and housing market disruptions can be avoided.

For these reasons, we strongly urge the Enterprises to include in their DTS plans how they can increase the supply of climate resilient housing through, for example, LIHTC equity investments, loan purchases, and loan products. We would welcome the chance to discuss these topics more in-depth as the Enterprises finalize their DTS plans and consider ways to further advance climate resilient housing in its work moving forward.

Thank you for considering our comments. We look forward to continued work and collaboration with the FHFA and the Enterprises. If you have any questions, please do not hesitate to contact me at mnewman@ibhs.org.

About IBHS and FORTIFIED

IBHS is a 501(c)(3) organization enabled by the property insurance industry's investment to fund building safety research that leads to real-world solutions for home and business owners, helping to create more resilient communities.

Severe weather disrupts lives, displaces families, and drives financial loss. IBHS delivers top-tier science and translates it into action so we can prevent avoidable suffering, strengthen our homes and businesses, inform the insurance industry, and support thriving communities. The perils we study at IBHS are part of the natural world in which we live, but social and economic disasters occur when these perils meet human populations that live or work in harm's way. To break the cycle of destruction, it is essential to address all aspects of the building performance chain: where you build, how you design and construct, and how well you maintain and repair. As a building science institute, IBHS focuses on the ways that weather behaves, what makes homes and businesses vulnerable, and how our buildings can be more resilient. We exist to help ensure that the spaces where people live, learn, work, worship, and gather are safe, stable, and as strong as the best science can equip them to be.

One of the ways we translate our science into action is through [FORTIFIED™](#), a voluntary construction and re-roofing program designed to strengthen homes and commercial buildings against specific types of severe weather such as high winds, hail, hurricanes, and even tornadoes. Based on decades of lab- and field-based research, FORTIFIED is available for single-family, multifamily, and commercial structures. To date, more than 69,000 structures have been designated by the FORTIFIED program across the country.

FORTIFIED provides property owners with the ability to achieve three increasing levels of resilience:

FORTIFIED Roof is the foundation of FORTIFIED because an estimated 70 to 90 percent of catastrophic homeowners' insurance claims include roof damage, and damaged roofs can lead to water intrusion that significantly amplifies damage. FORTIFIED Roof provides a system that strengthens the roof through (i) more and stronger nails, (ii) locked-down edges, and (iii) a sealed roof deck, which work in concert to keep the wind and rain out.

FORTIFIED Silver adds increased levels of resilience through requirements on windows, doors, and siding.

FORTIFIED Gold adds requirements related to a continuous load path from the roof to the foundation.

Studies following Hurricane Sally (in Alabama) and Hurricanes Matthew, Florence, Dorian, and Isaias (in North Carolina) concluded that FORTIFIED designated homes are less likely to have an insurance claim and, for those homes with insurance claims, claims that are smaller on average.

The value of FORTIFIED has also been explored in a 2022 [study](#) from the University of Alabama's Culverhouse College of Business, which concluded that building or retrofitting to FORTIFIED has relatively minimal costs and a strong rate of return. The study found that property owners could realize an 8.1 to 72 percent internal rate of return on a marginal cost increase of no more than 1.5 percent of total cost of construction for constructing a property to the FORTIFIED Gold level. For investments in retrofitting an existing multifamily building to FORTIFIED Roof, a property owner could realize an 8.3 to 35 percent internal rate of return on the investment in the necessary retrofits.

Regards,

A handwritten signature in black ink, appearing to read 'MN', is placed within a white rectangular box.

Michael Newman
General Counsel
Insurance Institute for Business & Home Safety