RESNET
RESIDENTIAL ENERGY SERVICES NETWORK

July 10, 2017

Fannie Mae
3900 Wisconsin Ave, NW
Washington, DC 20016

RE: Comments on Fannie Mae's Proposed Duty to Serve Underserved Markets Plan

On behalf of the Residential Energy Services Network (RESNET), please accept these comments on the Proposed Duty to Serve Underserved Markets Plans of Federal National Mortgage Association (Fannie Mae). RESNET is an industry non-profit membership corporation and developer of national residential energy and water efficiency standards. More than two million homes have been rated under RESNET's Home Energy Rating System (HERS).

Importance of Energy and Water Efficiency
RESNET applauds Fannie Mae's inclusion of energy and water efficiency measures in their Proposed Duty to Serve Underserved Markets Plans and encourages even more focus on these two important areas. The average U.S. homeowner spends nearly $2,500 per year on energy costs. This represents one of the highest costs of home ownership—even higher than property taxes and homeowner's insurance. A home with high energy costs is inherently unaffordable, and a recent study shows that energy efficient homes have lower mortgage defaults. The study, conducted by the UNC Center for Community Capital and the Institute for Market Transformation found a 32 percent lower mortgage default risk for energy efficient homes. Truly affordable housing must consider energy costs.

Comments on Activity H, Objective 5:
As a standards developing organization, RESNET develops standards that are recognized for:
- Accreditation of rating providers, rater training providers, and rating software tools
- Verification of energy savings for energy efficient mortgages (EEMs)
- Verification of a home's energy performance for EPA's ENERGY STAR Homes Program
- Performance option for energy code compliance in 16 states
- Verification of energy performance in state utility benefit program funded residential energy efficiency programs in 9 states
- Residential Energy Efficiency Tax Credits

RESNET developed the ANSI/RESNET/ICC Standard 301, Standard for the Calculation and Labeling of the Energy Performance of Low-rise Residential Buildings using an Energy Rating Index. This national consensus standard will be included in the 2018 version of the International Energy Conservation Code which serves as the U.S. national model energy code for residential construction. Standard 301 provides for a consistent, uniform methodology for evaluating and labeling the energy performance of homes.

In addition, Section 4.6 of Standard 301 addresses "Economic Cost Effectiveness" and provides a straight forward methodology for calculating the present value of energy cost savings. RESNET recommends that this consensus methodology serve as the basis for determining the economic cost effectiveness of energy efficiency measures.

Building off significant success with the HERS program, RESNET is nearing completion in the development of a Water Efficiency Rating Index (WERI) which will allow homes to be rated for water efficiency by the same RESNET Certified Raters that conduct home energy ratings. The WERI will also be turned into a national consensus ANSI Water Rating Index (WRI) Standard in collaboration with the International Code Council (ICC). RESNET encourages Fannie Mae to be engaged in the development of the WRI to ensure this standard will meet appropriate financing guidelines and criteria.

Comments on Activity H, Objective 4:
One of the most significant barriers to energy and water efficiency improvements is valuing those improvements in the appraisal process. As mentioned above, Section 4.6 of Standard 301 addresses "Economic Cost Effectiveness" and provides a straight forward methodology for calculating the present value of energy cost savings. RESNET recommends that the net present value of energy savings should be included within the appraised value of the home.

For homes that have received a HERS Rating, real estate appraisers now have free access to a special RESNET web portal that will allow them to verify the HERS Index Score for the home they are appraising; and compare the appraised home with others that have received HERS scores. This portal will allow appraisers to view other HERS Rated homes within the same city or zip code and will provide the annual energy cost savings for each home. RESNET believes this portal provides a significant improvement for appraisers to be able to value energy efficiency, but encourages Fannie Mae to consider ways to automate energy cost in the underwriting and appraisal process.

Finally, RESNET would like to work with Fannie Mae to explore how RESNET's National Registry of rated homes could be used to assist with identifying property-level information about energy and water efficiency features. RESNET has more than 2 million homes in its registry with detailed property-level features of energy efficient construction.

Thank you for the opportunity to provide comments on Fannie Mae's Duty to Serve Underserved Markets Plan.

Sincerely,
Steve Baden, Executive Director
RESNET