Fannie Mae 2019
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:
Following are the 2019 Actions under this Objective per the December 20, 2019 Duty to Serve Plan:

Objective's components detailed in the Plan	*Corresponding actions taken*	*Explanation of any deviations from the Plan (if applicable)*
☒ Purchase 684 loans that meet the FHFA Criteria, representing approximately a 21 percent increase over the Baseline.	Fannie Mae purchased 955 loans that meet the FHFA criteria for energy and water efficiency in 2019.	N/A
☒ Confirm loan purchase goals for 2020.	The Energy and Water efficiency loan purchase goal remains the same as is stated in the 2020 plan year.	N/A

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

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- ☐ 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?

While this report is for 2019 progress toward Duty to Serve objectives, the impacts of utility savings and green financing can be difficult to measure until several months, or even years, have passed. Given this, many of the impact metrics below refer to the impacts of Fannie Mae's Green financing through 2018. We anticipate 2019 impacts to be similar in scope and additive to the Green Financing program impacts detailed below for the first seven years of the program between 2012 and 2018.

Fannie Mae estimates the following positive financial impact from its Green Bond issuances through 2018:

• Over seven years from 2012 to 2018, Fannie Mae borrowers committed to invest $208 million in energy- and water-saving capital improvements to retrofit over 2,000 properties.

• For every dollar spent retrofitting properties through a Fannie Mae Green Rewards loan, $1.85 has been created in economic output.

• On average, owners recoup investment through their utility savings in approximately six years. When tenant savings are also considered, the combined cost savings exceed investment cost within two years, on average.

• Savings are adding up year over year: $105 million annually in combined tenant and owner savings as of 2018.

In addition to financial impacts, there are ample social benefits to Fannie Mae green mortgages. Utility costs generally outpace inflation, rising over 50 percent in the last decade, according to the Joint Center for Housing Studies at Harvard University. Green Financing and Green Bonds positively impact tenants' quality of life by making existing housing stock healthier and more affordable. Improvements like better lighting and more efficient heating and cooling equipment can increase comfort and indoor air quality while also lowering utility costs for families and individuals. Lower costs are crucial when considering that energy and water bills account for a substantial share of the cost of living in rental housing, especially among low-income tenants; one study found that low-income households spend a median of 7.2 percent of their total income on energy bills annually, more than twice what the median household spends. When living in an energy- and water-efficient property, families, may have more money to spend on other important needs like education, transportation, healthcare, and childcare.

Fannie Mae estimates the following positive social impact from its Green Bond issuances through 2018:

• Families and individuals are projected to save $72 million annually, equivalent to a 10 percent lower utility bill or saving $145 on average per year.

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• Over 550,000 units financed by Fannie Mae have been retrofitted or have green building certifications, allowing more and more families and individuals to live in greener, healthier apartment units.

• 84 percent of the units financed with Green Mortgage Loans are affordable to households earning 100 percent of Area Median Income (AMI) or less; two-thirds of the units are affordable to households earning 80 percent of AMI or less.

2. What did the Enterprise learn from its work about the nature of underserved market needs and how to address them?
Through extensive lender and borrower engagement, and through a 10- year history of providing green financing, Fannie Mae has learned significant lessons about the underserved markets. First, as addressed in additional objectives, a need for standardization of data and reporting protocols remains critical to the continued success. For a product or practice to have widespread adoption and be scalable, the process (and associated reports, data tracking systems, lexicon, etc.) must all be standardized.

In addition, we have learned that lenders continue to need and want high-touch interactions around green financing, because each green financing project is unique, and technologies and financial calculations related to high-performance housing are changing rapidly. We will continue to reach out with high frequency in both large and small groups to ensure these educational needs are met.

3. (Optional): If applicable, why were all components of this objective not completed?
N/A

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First Quarter Report: January 1 - March 31, 2019
Loan Purchase

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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 purchased 145 energy and water-efficient loans that meet FHFA Criteria, representing a UPB of over $2.3 Billion. At the end of 2018, FHFA's criteria for energy and water loans changed, and the bar for qualifying for "Credit" for these loans was raised. Accordingly, Fannie Mae staff spent significant effort in 2018 analyzing the incremental costs associated with the stricter standard, along with associated incremental benefits. Fannie Mae found that the costs on average to meet the new standard are quite reasonable and are more than outweighed by utility cost savings. Fannie Mae then designed outreach materials and plans to spend much of the second quarter of 2019 meeting individually with lenders to discuss the new opportunities. Given the intensive outreach planned, we feel confident that we will be on track to meet our Energy and Water efficiency loan purchase goals by year end.

Following are the 2019 Actions under this Objective:

☐ Purchase 684 loans that meet the FHFA Criteria, representing approximately a 21 percent increase over the Baseline.

☐ Confirm loan purchase goals for 2020.

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):