



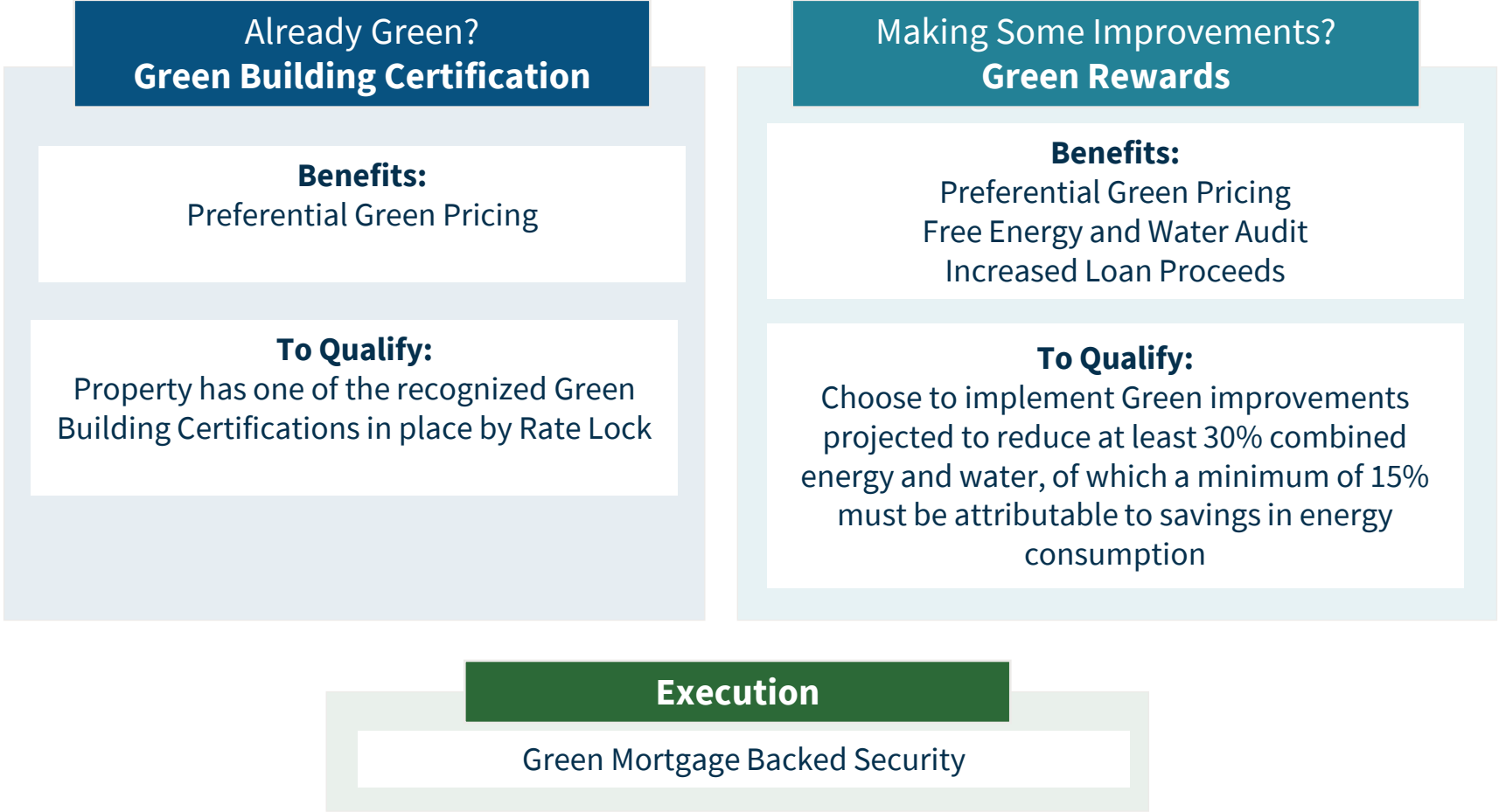
# Green and Healthy Housing Financing Business

October 15, 2021 - PHIUSCon

# Our place in the mortgage financing system



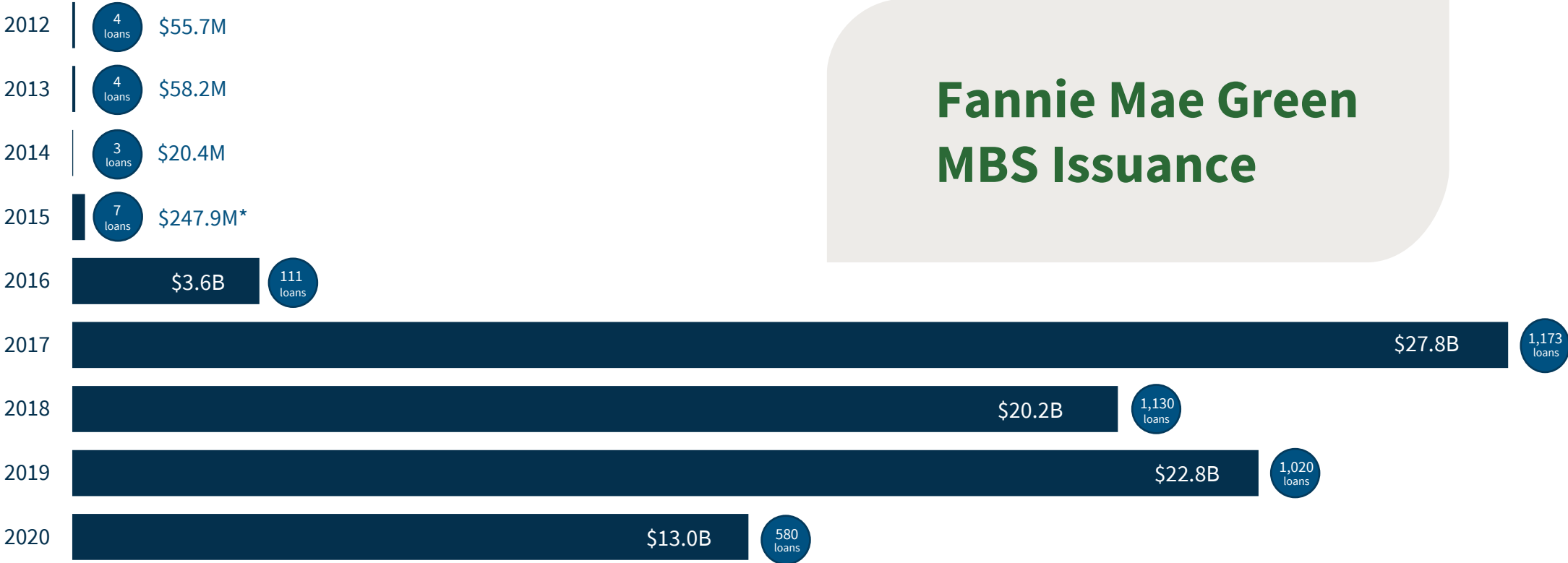
# Two Paths to Green Financing





# Growth of Fannie Mae Green Financing

Fannie Mae Green Financing has grown to a total of more than \$87 billion in Green MBS Issuance



\*Includes one cash loan

Source: Fannie Mae, as of year end 2020.



# Green Rewards Requirements and Benefits

Properties making energy and water saving improvements at refinance, acquisition or supplemental financing.

- Financial benefits:
  - **Preferential Green pricing reduces the interest rate of most loans**
  - Fannie Mae reimburses 100% of cost of High Performance Building (HPB) Report.
  - Up to 5% additional loan proceeds, subject to normal LTV constraints.
- No minimum property age or improvement budget.
- Cost of improvements escrowed at 125%; must be completed within 12 months.



## 2020 Eligibility

30% energy + water savings combined, including a minimum energy savings of at least 15%.

# Green Rewards Extra Loan Proceeds

## Underwrite a portion of projected cost savings to increase loan amount.

- Net Cash Flow may be increased by underwriting a portion of projected energy and water cost savings:
  - 75% of Owner projected savings
  - 25% of Tenant projected savings, if based on actual (not modeled) tenant data
- Up to 5% additional loan proceeds available, subject to normal LTV constraints.
- Underwriting of greater than 5% additional loan proceeds subject to Credit pre-review.

	Standard Loan	Green Loan
Net Cash Flow	\$805,000	\$805,000
75% of Projected Owner Energy and Water Cost Savings + 25% of Projected Tenant Energy and Water Cost Savings	-	\$22,000
Underwritten Net Cash Flow	\$805,000	\$827,000
Maximum Loan Amount	\$10,000,000	\$10,275,000
LTV	71%	73%
DSCR	1.25	1.25
Green Rewards Additional Loan Proceeds		<b>\$275,000</b>



# Technical Solar Report

Green Rewards with Solar

**Must be completed by Technical Solar Consultant**

**NABCEP-certified team member or subcontractor**



**Narrative report and Form 4099.I includes information related to projected savings, income, and expenses related to system and battery storage**

**100% paid for by Fannie Mae if solar is selected as an Efficiency Measure and loan delivers as Green Rewards**



# Green Building Certification (GBC) Requirements and Benefits

Properties that have already invested in going green.

- **Preferential Green pricing reduces the interest rate of most loans.**
- Towards Zero Certification Group.
- Certification must be finalized and delivered by rate lock.
- Certifications available for new construction, major renovations, and existing properties.
- On a waiver-only basis, will extend preferential pricing benefit to MAH forward commitments.



## 40 Eligible Certifications

A current list of the eligible certifications and requirements can be found in [Form 4250](#).



# Pax Futura Seattle, WA

**Lender:** JLL Real Estate Capital

**Financing:** Green Building Certification preferential pricing

**Developer:** Sloan Ritchie

## CASE STUDY



**2018**  
Year built



**\$5.92M**  
Loan amount



**36**  
Units



## Green Building Certification delivers sustainability and energy efficiency

Pax Futura, designed by NK Architects, combined highly efficient construction and deep energy efficiency features. The property received PHIUS + certification from Phius (Passive House Institute U.S.)

This made it eligible for preferential Green Building Certification pricing under Fannie Mae's Towards Zero certification group, resulting in a lower all-in interest rate for the life of the loan.

This property's resource conservation, solar thermal hot water system, and durable construction is a great example of how a Towards Zero green building certification can provide benefits to both borrower and tenants.



# MAH Forward Commitments and Green Building Certifications

MAH properties using the forward commitment execution may qualify for Green Building Certification pricing on a Pre-Review (waiver) basis

**Background:** Fannie Mae offers forward commitments to issue an MBS upon completion of construction and conversion to a permanent mortgage loan for MAH 4% and 9% LIHTC transactions. Historically these deals have not be able to leverage Green Building Certification (GBC) pricing because Fannie Mae requires the certification to be in place by Rate Lock, which occurs before construction in a forward commitment deal.

**Solution:** On a Pre-Review/waiver basis, Fannie Mae Green Financing may approve Green Building Certification pricing for forward commitment deals.

## What type of deal is this a good fit for?

- Borrower is experienced in developing to green building certification standards
- Borrower/Lender are highly confident that the property will be able to achieve a Fannie Mae recognized-GBC **by loan delivery** to Fannie Mae
- Borrower is pursuing a GBC that does not have a 12-month performance data requirement for certification





# Appendices



# High Performance Building (HPB) Report

HPB Report identifies and quantifies energy and water saving opportunities

- Borrower selects final scope of work from list of energy- and water-saving opportunities in HPB Report
- Report is ordered by Lender, completed by an energy auditor, and requires a site visit
- Report can be completed up to 6 months prior to rate lock
- 100% of HPB Report cost is reimbursed by Fannie Mae

Sample Improvement Opportunities 250 unit, \$10 million loan	Estimated Project Cost	Energy Savings	Water Savings	Projected Owner Annual Cost Savings	Projected Tenant Annual Cost Savings
High Efficiency Lighting in Units and Common Areas	\$65,000	6%	-	\$6,000	\$3,000
WaterSense Low-flow Bathroom Faucets & Showerheads	\$15,000	4%	14%	\$18,000	
ENERGY STAR® Smart Thermostats	\$50,000	4%	-		\$4,000
ENERGY STAR® rated dishwashers	\$144,000	3%	2%	\$2,000	\$3,000
<b>Total</b>	<b>\$274,000</b>	<b>17%</b>	<b>16%</b>	<b>\$26,000</b>	<b>\$10,000</b>

Escrow at  
125%

Save at least 30% energy  
and water combined,  
with at least 15% energy  
savings to be eligible

Underwrite a portion of  
projected savings





# Requirements

## Green Rewards with Solar

- Solar PV system has to be sized to serve the historic energy needs of the property, based on T-12 baseline

### Size

- O&M contract required
- Performance guarantees in place for systems >500 kW
- Onsite battery storage and must be connected to the grid

### Performance and Maintenance

### Installation

- Roof, ground, or carport-mounted
- Encouraged to make additional efficiency improvements
- Properties located anywhere in the U.S.
- Must be installed by NABCEP-certified professional
- Borrower must own Solar PV system

### Warranties

- 10 year product warranties for inverters, racking system, and batteries
- 10 year product warranty and 25 year performance warranty for panels

