

# **Future of Residential Green Building: Fannie Mae's Perspective**

**April 2001**



## Our Mission

At Fannie Mae, we are in the American Dream business.

Our Mission is to tear down barriers, lower costs, and increase the opportunities for homeownership and affordable rental housing for all Americans.

Because having a safe place to call home strengthens families, communities, and our nation as a whole.

## Home Performance Power Initiative



Partnership between NAHB  
and Fannie Mae

\$100 million allocated to  
“green” mortgages

To encourage  
environmentally efficient  
housing efforts nationwide  
Partners are home builders,  
lenders, HBAs, and other  
community organizations

## **HPP Initiative Goals**



Recognize the savings from the energy, location, and water efficiencies

Promote environmentally sound residential construction

Encourage smart growth without compromise to affordable housing

Improve homeowners lifestyle

**Flexible  
Home  
Performance  
Power**



Requires a 3% borrowers contribution

Maximum LTV 100%

Projected energy & water savings are added to borrower income

**Community  
Home  
Performance  
Power**

Borrowers at or below 100% AMI



## Albuquerque DREEM

Down payment is \$1,000 for \$100,000 mortgage or 2% for homes above \$100,000

City of Albuquerque down payment and closing cost assistance

Homes must meet requirements of HBA of Central New Mexico's Green Builder Program

Property within 5 miles of central business district

## **Homestyle ® Energy Efficient Mortgage**

Underwriting adjustment for any Fannie Mae product

- **conventional fixed-rate and adjustable rate**
- **purchase and refinance**
- **New or existing homes**

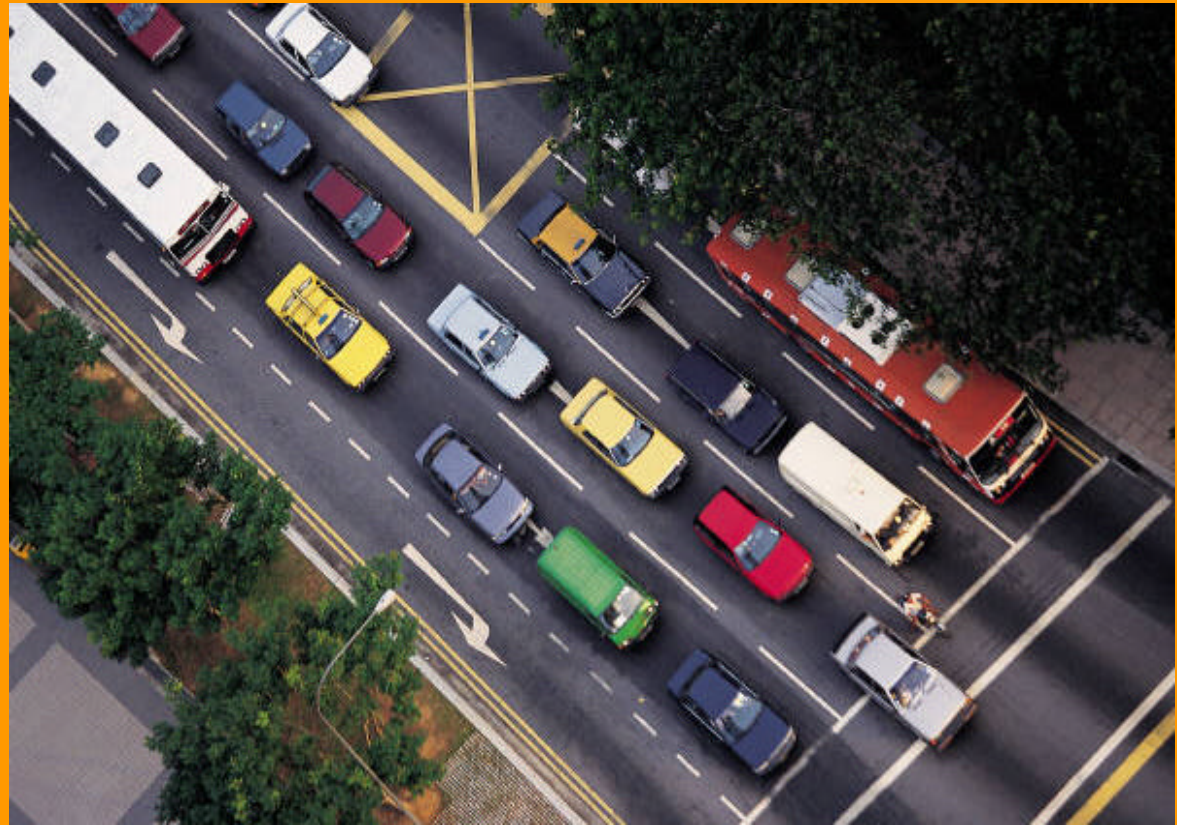
Estimated monthly savings from lower energy costs are added to maximum allowable PITI

- **Borrowers qualify for a larger total mortgage amount**

Energy improvements can be 15% of home's value

- up to 100% of improvements can be financed

# Location Efficient Mortgage



## **Location Efficient Mortgage**

Recognizes that homebuyers that live near transit save on commuting costs

- Promotes “Smart Growth” -- infill housing, transit-oriented development, urban redevelopment
- Provides Greater Affordability
- Encourages transit use
- Customized for each pilot city

\$100 million allocation in 4 pilot cities

- **Chicago**
- **Bay Area/SF**
- **Los Angeles**
- **Seattle**

# Residential Emissions Trading



# How will it work?



Consumer purchases energy efficient home or retrofits existing house



Verification of energy savings



Fannie Mae aggregates the emissions credits and sells credits on the market



Proceeds are re-invested into energy efficiency programs

## Process to Create Emission Credits

Utility Demand Side Management programs promote energy efficiency



Utility measures the energy savings on a per house basis



Fannie Mae calculates reduction in emissions as a result of the reduction in energy use



Emission savings are aggregated into tradable commodity, keeping reserve for guaranteed credit



Credit is sold to entities that need to offset their emissions, such as utilities, industrial sources

## Why Are We Doing This?

### Increase housing affordability

- Energy costs are second largest cost for homeowners
- an efficient house can save 30% on annual energy bills

### Decrease the cost of energy efficiency with new revenue stream

- Creates new commodity with value

### Reduce the amount of air pollution associated with housing

- average house produces 2x greenhouse gas pollution as the average car
- An energy efficient house can save 2-3 tons of CO<sub>2</sub> per year and 3-5 lbs. of NO<sub>x</sub> per year

**End**