



Fannie Mae®

# **Duty to Serve Overview and the Impact of the Energy Burden in America**





# Agenda

- Fannie Mae overview
- Duty to Serve background & markets
- The energy burden in America
- Resources & tools
- Fannie Mae's HomeStyle<sup>®</sup> Energy
- Q&A



# Who is Fannie Mae?

- Founded in 1938
- A leading source of financing for mortgage lenders, so that they can enable Americans to buy and rent homes
- A United States government-sponsored enterprise (GSE)\*; currently under the conservatorship of the Federal Housing Finance Agency (FHFA)



# Duty to Serve: Underserved Markets

We have a plan with FHFA to address three key areas of need for very low- to moderate-income families (those earning  $\leq 100\%$  of Area Median Income)



## **Manufactured Housing**

Exploring innovative financing options for one of the largest affordable housing opportunities



## **Affordable Housing Preservation**

Helping keep established properties available as low-cost housing



## **Rural Housing**

Supporting the financing of housing for targeted high-needs rural regions and populations



# Executing our Duty To Serve Activities

Our approach is to:

- **Analyze** for a research- and data-driven market understanding
- **Test and learn** from product and program pilots
- **Partner and innovate** with market-based experts
- **Do what we do best** by tapping the power of the secondary market to increase loan purchases





# Manufactured Housing

Overview of actions outlined in the Single Family Manufactured Housing Duty to Serve plan

## Focus areas:

Manufactured homes titled as real property; and chattel loans on manufactured homes titled as personal property.



## Primary Objectives:

- Increase purchase volume of conventional manufactured housing loans
- Enhance existing products to offer more flexible financing for modern, high-quality manufactured homes – MH Advantage™
- Purchase and test a pool of chattel loans—personal property loans that make up 80% of MH financing today—subject to approval by our regulator



# Rural Housing

Overview of actions outlined in the Single Family Rural Housing Duty to Serve plan

## Focus areas:

Housing in high-needs rural regions; housing for high-needs rural populations; and financing by small financial institutions.



## Primary Objectives:

- Enhance mortgage products to meet the needs of rural and Native American families
- Increase loan purchases in high-needs rural regions, including purchases from small financial institutions
- Increase our collaboration with lenders, non-profit, and government entities that support affordable housing in rural areas, including the deployment of onsite staff



# Affordable Housing Preservation

Overview of actions outlined in the Single Family Affordable Housing Duty to Serve plan

## Focus areas:

- Energy efficiency improvements on single-family homes
- Shared equity programs
- Purchase or rehabilitation of distressed properties.

## Primary Objectives:

- Increase awareness and financing options for energy and water efficiency improvements
- Work to increase liquidity for shared equity models such as community land trusts and resale restricted properties
- Increase financing options for the purchase and rehabilitation of distressed properties





# HomePath Properties & Affordable Financing

- Combining affordable financing options with Fannie Mae's real estate Owned (REO) properties can help homebuyers find homes that compliment their budgets.
- Financing for HomePath properties is as attainable as financing for other properties, and working with Fannie Mae can make it even more affordable.
- Buyers of HomePath properties may also receive up to three percent in closing cost assistance.



# HomePath Properties & Affordable Financing

## HomeReady®

- For low to moderate income Borrowers
- For one unit owner occupied home, loan amount can be up to 97% LTV and borrower funds can come from grants, gifts or other sources.
- Underwriting flexibilities and lower MI coverage makes the loan more affordable for some borrowers

## HFA Preferred™

- Supports financing exclusively through participating state and local Housing Finance Agencies (HFAs) and their contracted lenders.
- Offers buyers down payments as low as 3% with reduced MI and HFA set income eligibility limits.
- Buyers who use HFA Preferred to purchase a Fannie Mae REO property are also eligible for up to 3% in closing cost assistance.

The screenshot shows the HomePath.com website interface. At the top, there's a navigation bar with links for HOMEBUYERS, REAL ESTATE PROFESSIONALS, INVESTORS, PE/NON-PROFIT, and SHORT SALES. Below this is a search bar with the placeholder text "By address, city, state, ZIP" and a magnifying glass icon. To the right of the search bar is a link that says "Back to Search Results".

The main content area displays a property listing. On the left is a large photo of a single-story house with a white garage door and a paved driveway. Below the photo are several smaller thumbnail images. To the right of the photo, the price is listed as "\$449,900". Below the price, the status is "Just Listed", followed by "Single Family" and a "Save Listing" button. Further down, it says "3 Beds | 2 Baths | 3,101 sq. ft.". Below this, there are fields for "REO ID:" and "MLS ID:". A "Make an Offer" button is prominently displayed, with a link "How to make an offer" next to it.

Below the photo and price information, there is a "PROPERTY DESCRIPTION" section. The text describes a "Beautiful 3/2 Pool home located in a high desired area. This home has a large corner lot. Spectacular view of the beautiful Pool from living areas. Close to Baptist Hospital, Dadeland Mall, Norman Brothers and Turnpike. If your looking for a beautiful place to leave, This is it. (First Time Buyers, complete the seller's Ready Buyer home ownership course on seller's website. Attach certificate to offer and request up to 3% closing cost assistance. Check seller's website for more details or ask me)".

On the right side of the listing, there is a "PROPERTY FEATURES" section with a "FirstLook" badge and a note "15 days left". At the bottom right, there is a "Need Closing" button.



# HomePath Properties & Affordable Financing



## Buyer Assistance

### HomePath Ready Buyer Program

- First time homebuyers purchasing a Fannie Mae HomePath property are eligible for up to 3% in closing cost assistance.

### Community Seconds®

- Fannie Mae lenders can leverage public, nonprofit, employer and tribal funds to finance a down payment and/or closing costs.
- Allows up to 105% CLTV with some mortgages.

### HFA Preferred Incentive Program

- First time or repeat homebuyers purchasing a Fannie Mae REO property can receive up to 3% in closing cost assistance when they finance the home with an HFA Preferred conventional loan through their state housing finance agency (HFA).



# HomePath Properties & Affordable Financing

## Fixer-Upper Financing Options

### HomeStyle® Renovation

- Buyers who want to renovate new or existing homes
- Funds are bundled into the borrower's purchase mortgage under one application

### HomeStyle® Energy Loan

For financing energy efficient improvement (HVAC, storm windows, storm doors), disaster resiliency improvements (flood walls, surge barriers)





# The Energy Burden Across America



# Defining the Energy Burden

The percentage of household income spent on utility bills

$$\text{Energy Burden} = \frac{\text{Total Energy Utility Bills}}{\text{Total Household Gross Income}}$$

*For example: If a household spends \$2,000 annually on utility bills, and the annual household income is \$30,000, the energy burden is 7.5%*

## Median Energy Burden in the United States



**3.3%**

**All households**



**3.1%**

**Metro areas**



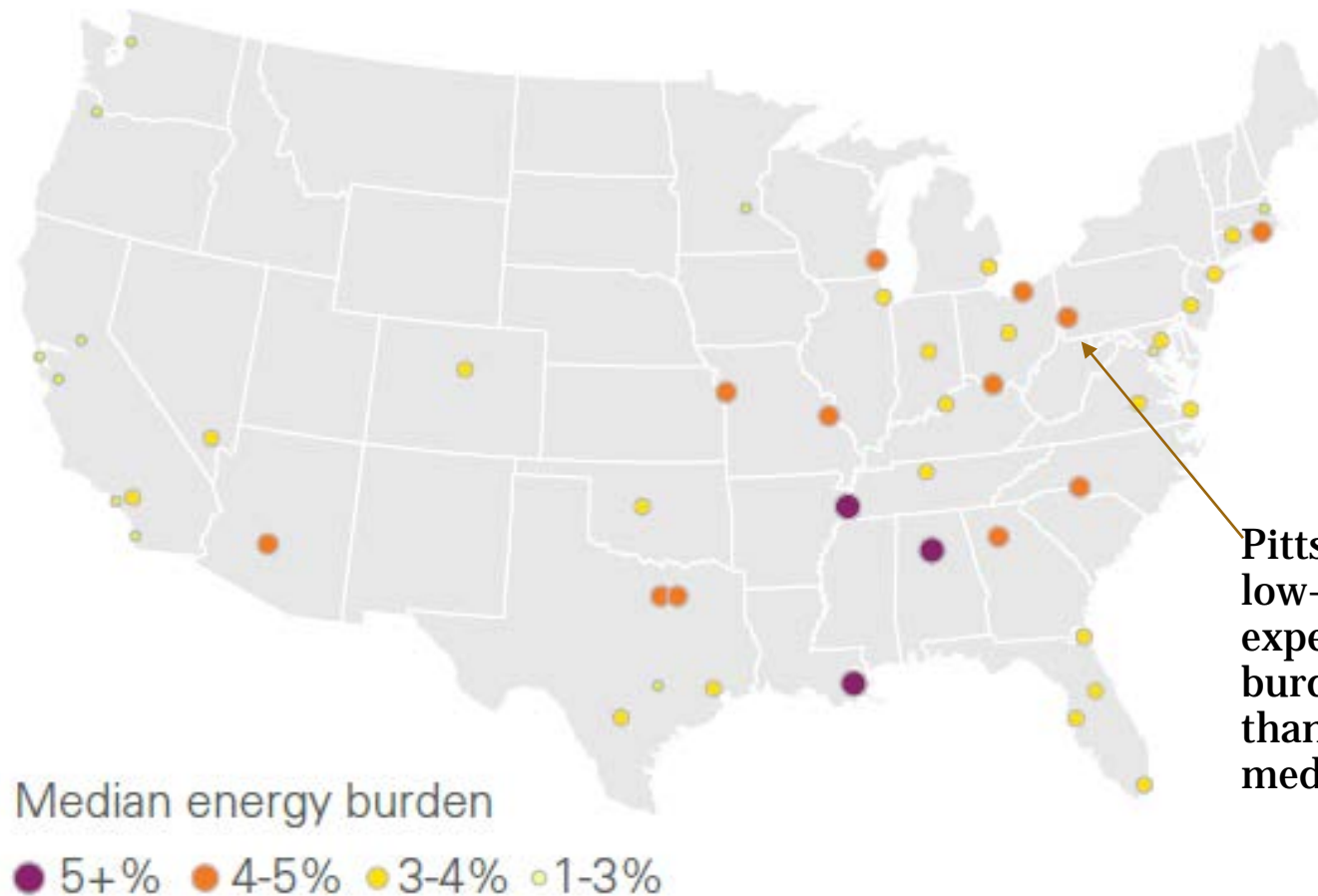
**4.4%**

**Rural**



# The Energy Burden: Populations

Varies significantly by geography and demographics, with certain populations harder hit



**In 17 cities, a quarter of low-income households experienced an energy burden greater than 14%**

(ACEEE study)

Pittsburgh: 25% of the low-income population experienced an energy burden  $\geq 16\%$ , more than **3x** the city median of 4.5%

Source: ACEEE, *Lifting the High Energy Burden in America's Largest Cities: How Energy Efficiency Can Improve Low Income and Underserved Communities*





# The Energy Burden: Drivers

Many factors contribute to a high household energy burden

- **Physical**
  - Housing stock and systems
  - Weather
- **Economic**
  - Income level; sudden hardships
  - Lack of capital to make energy efficiency upgrades
- **Policy**
  - Lack of local programs for assistance
  - Utility practices
- **Behavior**
  - Lack of knowledge and access to information
  - Age or disability increasing usage





# Energy Audits

Used to assess a home's energy use, identify improvements, and estimate potential savings

Sources include:

- **Home Energy Rating Systems (HERS)** report completed by HERS rater (find raters via [www.resnet.us](http://www.resnet.us))
- U.S. Department of Energy (DOE) **Home Energy Score Report** completed by an approved assessor (find assessors via [www.energy.gov](http://www.energy.gov))
- Independent and certified energy consultant or auditor



# Fannie Mae's HomeStyle Energy



# What is HomeStyle Energy?

The HomeStyle Energy mortgage allows homebuyers or homeowners to include **energy and water efficiency improvements** and/or **disaster resiliency** updates to their home as part of a home purchase or refinance loan.



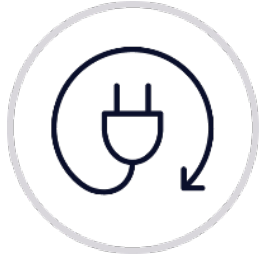
# Benefits of HomeStyle Energy

- **Complete improvements** as part of purchase or limited cash out refinance transaction
- **Wide variety** of energy and water improvements are eligible
- **Resiliency improvements** can help protect home from natural disasters
- **Often better financing terms** than traditional cash-out options; no minimum loan amount required;
- **Pay off PACE** or other energy improvement loans
- **Long-term savings** on energy and water efficiencies



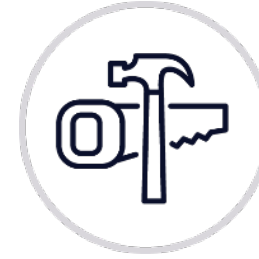


# Eligible Energy-Related Improvements



## Energy and water efficiency

- Heating and cooling systems (HVAC)
- Storm windows and doors
- Water-saving devices
- Basic weatherization and insulation
- Solar panels & other renewable energies
- Pay-off PACE or other existing energy improvement debt



## Resiliency, repair & remediation

- Home resiliency to improve the home's ability to withstand natural disasters including storm surge barriers, foundation retrofitting for earthquakes or retaining walls to prevent mud slides
- Repairs from such disaster damage
- Radon remediation devices

No specific list of eligible improvements is provided but improvements must be cost-effective; borrowers should consult with their lender to confirm eligibility.



# Key Eligibility Parameters & Terms

- Individual homebuyers or homeowners in single family properties
- Purchase or refinance
- Property types
  - Existing properties; new construction not permitted
  - Condos, co-ops and PUDs
  - Manufactured homes
- Fixed or ARM: all standard terms
- Maximum loan-to-value: 97%
- Standard insurance and title requirements

HomeStyle Energy works with standard Fannie Mae mortgage products, including HomeReady® and HomeStyle Renovation

*Note: This summary is intended for reference only. All criteria are subject to the formal terms and conditions of the Fannie Mae Selling Guide and Servicing Guide. In the event of any conflict with this document, the Selling Guide and/or Servicing Guide will govern.*



# Role of the Housing Counselor



## **Where to build in energy efficiency education**

- Pre-purchase homebuyer education
- Foreclosure prevention
- Group classes
- Hands-on demonstrations

## **Keeping content relevant and fresh**

- Content should be built to the local market
- Train-the-trainer
  - Know the content
  - Leverage NeighborWorks courses!





Rent

Buy

Sell

Refinance

Avoid Foreclosure

Get Help

Find Resources

# Your resource for housing education and information.

I'm ready to buy a home.  
Where should I start?

Does Fannie Mae have affordable  
mortgage options?

I want to refinance. Am I  
eligible for HARP?

How can I avoid  
foreclosure?

Does Fannie Mae own  
my loan?



Find helpful  
information, tools,  
and resources



Get **FREE** assistance  
from our Mortgage  
Help Network



Use calculators to  
estimate payments,  
costs, and more



Download our app for  
homebuyers, HOME  
by Fannie Mae™



## Energy Efficiency Overview

Energy efficiency can help you provide the home you want for your family: one that's healthy, comfortable, and affordable to maintain.

Whether you rent or own, just moved in or have lived in your home for decades, it's never too late to make energy-efficient home updates that will make a difference for your family. We're here to help you get started—and help you create a home where you can breathe easy, rest easy, and feel good.

Understanding Efficiency

Saving at Home

Providing a Healthy Home

Getting Started with Efficiency

Energy efficiency is about more than lowering your utility bills—although that's a great benefit! It's about improving the comfort, health, and overall affordability of your home by preventing energy waste.

When you're considering which upgrades to incorporate into

### Energy Efficiency

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### Homeownership Education by Framework

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### News

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### Events

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### Information and Tools

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### HomeStyle Energy Promo

#### HomeStyle Energy Mortgage

HomeStyle® Energy is an affordable way to finance energy efficiency upgrades

http

efficiency-and-your-home







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