



Fannie Mae's Housing and Environment Initiative

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Fannie Mae 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.

Housing & Environment Initiative

Designed to

- ☐ Recognize lower cost of energy & location efficient homes
- ☐ Increase affordability for home buyers, regardless of income
- ☐ Build home owner's capital through efficiency measures
- ☐ Encourage efficient housing nationwide

Energy Efficient Mortgage –

rewards borrowers who purchase efficient homes

Smart Commute Mortgage –

rewards borrowers who select homes near transit

Energy Efficient Mortgage



Energy Costs Impact Affordability

- ✓ All homes benefit from efficiency improvements
 - Monthly energy bills are lower
 - Home is more comfortable year round
 - Older homes may have huge savings
- ✓ Lower operating costs increase affordability
 - Home owner can gain equity faster
 - Efficiency measures help build capital
 - May help individual to qualify for homeownership
 - Helps owners stay in their homes
- ✓ Energy prices predicted to remain high for several years
 - Savings continue throughout years in home

Value to Lower Income Families

- ✓ Low-income households spend greater % of income on energy
 - 1999 - low-income consumer spent 14% of income
 - 2000 - grew to 19%
- ✓ In many markets lower income families buying older homes
- ✓ Rising energy costs cause true hardship
 - Millions of households apply for heating & cooling assistance
 - Millions of households in arrears on utility bills and face shut off
 - Inability to pay utility bills precursor to homelessness

EEM Benefits

④ Qualify for larger mortgage

- ✓ Monthly energy savings added to borrower's income for loan qualification

④ Finance energy retrofits

- ✓ Energy improvements to existing homes can be 15% of home's value
- ✓ Finance up to 100% of improvements
- ✓ Improvements paid over life of mortgage

④ Increases home's appraisal

- ✓ For new construction: appraised value increases by value of efficiency improvements
- ✓ For retrofits: as-is value plus cost of improvements

Efficiency Pays

Purchase Price	\$250,000
Down payment	\$50,000
Loan Amount	\$200,000
Interest	5.85%
Monthly PITI	\$1673
Average Electric	\$150
Total Expenses	\$1823

Purchase Price	\$253,000
Down payment	\$50,600
Loan Amount	\$202,400
Interest	5.85%
Monthly PITI	\$1706
Average Electric	\$60
Total Expenses	\$1766

✓ **Total Monthly Savings** **\$57**

EEM Headlines

- ✓ Product Revisions
 - Not the old 2% stretch product
 - Streamlined products
 - Automated underwriting
 - Low income / low-downpayment product
 - More flexible underwriting guidelines
 - Customized rating form for lender to use
 - Creative down payment sources such as rebates and tax incentives

How Does a Home Qualify

- ✓ Every home must be rated by a certified energy rater
- ✓ New homes must be more efficient than the "reference home"
- ✓ Existing homes must be retrofitted to be more efficient using cost effective measures
- ✓ Energy Rater provides lender report that includes all the information for EEM
 - Estimated monthly "Energy Savings"
 - "Energy Value" of the energy efficiency measures

Energy Efficient Mortgage

- ✓ Eligible properties
 - One unit, owner-occupied
 - Owner-occupied principle residences
 - No cooperatives
- ✓ Property must have energy rating
- ✓ Manufacturer and utility rebates OK for down payment
- ✓ Tax credits added to income for qualification

Energy Efficient Mortgage

Energy Efficient Mortgage	Product Parameters
Product Types	30-year or less, fixed rate, purchase money or refinances
Maximum LTV	100% LTV 105% CLTV
Borrower Contribution	3% from flexible sources
Income Limit	None
Eligible properties	One-family, owner-occupied principal residences w/ Energy Rating
Automated Underwriting	Eligible

MyCommunity Energy Efficient Mortgage

Energy Efficient Mortgage	Product Parameters
Term	30-year or less, fixed rate, purchase money or refinances
Maximum LTV	100% LTV, 105% CLTV
Borrower Contribution	\$500
Income Limit	<100% AMI unless high cost area of Fannie Neighbors
Minimum Credit Scores if manual underwriting	620 for Community 100+, 600 for Community 97
Eligible Property	One-family, owner-occupied principal residences w/ energy rating
Automated Underwriting	Eligible

EEM Initiatives Nationwide

- ✓ Built-wise Utah
 - 16-week advertising campaign to increase consumer awareness of residential efficiency
- ✓ San Antonio Power House
 - \$1/2 billion 5-year investment plan for affordable efficient housing
- ✓ MORE, Portland
 - \$4,000 for efficiency improvements from prescribed list
- ✓ North Carolina
 - Builder and energy rater training to increase construction of efficient homes

Transit-Oriented Mortgages



Transportation Costs Affect Affordability

- ✓ Transportation is 2nd largest household expense
 - Some spend more on transportation than housing
 - Auto loans are largest category of household debt after mortgages
- ✓ Automobile dependant regions
 - devote more than 20% of budget to commuting
 - more than \$8,500 / year
- ✓ Communities w/better transit service
 - spend less than 17%
 - less than \$5,500 / year
- ✓ \$10,000 for cars = \$910 in long term equity
 - Same investment in housing = \$4,730

Value to Lower Income Households

- ✓ Transportation costs have a much greater impact on lower income groups
 - For low income families, up to 1/3 income is spent on transportation costs
 - Transit efficiency can mean greater access to transportation expands job opportunities
 - Greater access to basic services and goods
 - Helps households attain homeownership closer to the central city
 - Otherwise may be forced to out-lying urban fringe

Smart Commute Initiative

- ✓ Designed to reward borrowers who choose homes near transit
 - recognizes commuting savings
 - \$200 / \$250 per month for loan qualification
- ✓ Eligible homes within ½ mile of rail, ¼ mile of bus
 - Streamlined process for eligibility
- ✓ Assumes borrower(s) owns a car but takes transit to work everyday
 - Household can't have more than 2 cars
- ✓ Transit agency is always a partner
 - Most transit agencies also provide discounted or free transit pass as additional incentive

Smart Commute Cities

✓ Active Pilots

- Minneapolis
- Pittsburgh
- Salt Lake City
- Philadelphia
- Burlington, VT
- Louisville, KY
- El Paso
- Delaware
- State College, PA
- Baltimore
- Washington Metro
- Miami
- Sacramento
- Rochester
- Atlanta

Smart Commute Cities

- ✓ Coming Soon!
 - Portland
 - Chapel Hill, NC
 - Columbus
 - Milwaukee
 - St. Louis
 - Charlotte, NC

2004 Initiatives

- ✓ Renovation loan w/ EEM benefits
- ✓ Senior housing pilots that promote aging in place and efficiency
- ✓ EEM for 2-4 unit housing

Other suggestions ?....



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