



Fannie Mae®

June 2023

Fannie Mae Single-Family Green Bond Framework



Contents

- Background and Objective 2
 - Introduction 2
 - Fannie Mae Single-Family Mortgage Business 2
 - Fannie Mae Single-Family Green MBS and Governance 2
- Use of Proceeds 3
 - Green Building Certification Loans 3
 - Solar Loans 5
- Process for Project Evaluation and Selection 5
- Management of Proceeds 5
- Governance and Internal Audit 5
- External Reporting 5
- Appendix 6
 - Process for project evaluation and selection of Green Building Certification Mortgage loans 6
 - Process for project evaluation and selection of Solar PV Mortgage loans 6
 - Investor Disclosure 6

June 2023



Background and Objective

Introduction

Fannie Mae is a government-sponsored enterprise (GSE) chartered by the United States Congress in 1938 to provide liquidity and stability to the U.S. housing market and promote access to mortgage credit. We do this primarily by purchasing residential mortgage loans from lenders who originate loans to borrowers. We securitize those loans into mortgage-backed securities (MBS), which are purchased by investors throughout the globe. We do not originate loans or lend money directly to borrowers.

Our mission is to facilitate equitable and sustainable access to homeownership and quality affordable rental housing across America, supporting both Single-Family and Multifamily housing. Our Single-Family business provides financing to individuals and families for properties that have four or fewer residential units and our Multifamily business provides financing for professionally owned and operated residential buildings with five or more units. We accomplish our mission while managing risks to our firm and the U.S. housing finance system. As part of this work, we integrate environmental, social, and governance priorities into our business and operations. These priorities are informed by market analysis and internal and external stakeholder engagement.

Since 2018, we have conducted assessments periodically to deepen our understanding of the overall housing finance landscape, focusing on topics that are most relevant from environmental, social, and governance perspectives, and informing our strategy and disclosures. Housing affordability and stability, racial equity in housing finance, and green homes were among the priorities that emerged from these assessments. The financing made available by securities aligned with this Green Bond Framework supports Fannie Mae's ability to pursue further progress in these areas.

Since September 6, 2008, Fannie Mae has operated under the conservatorship of the Federal Housing Finance Agency (FHFA) and subsequently entered into a senior preferred stock purchase agreement with the U.S. Department of the Treasury that permits us to continue to fulfill our mission.

Fannie Mae Single-Family Mortgage Business

The Single-Family business provides liquidity to the mortgage market primarily by acquiring single-family loans from lenders and securitizing those loans into Fannie Mae MBS, which are either delivered to the lenders or sold to investors or dealers. Fannie Mae's Single-Family business also supports liquidity in the mortgage market and the businesses of our lenders through other activities, such as issuing structured Fannie Mae MBS backed by Single-Family mortgage assets and buying and selling Single-Family agency mortgage-backed securities.

The Single-Family business securitizes and purchases primarily conventional (i.e., not federally insured or guaranteed) single-family mortgage loans, both fixed-rate or adjustable-rate, or mortgage-related securities backed by these types of loans. Fannie Mae also securitizes, or purchases loans insured by the Federal Housing Administration, loans guaranteed by the U.S. Department of Veterans Affairs, loans guaranteed by the Rural Development Housing and Community Facilities Program of the U.S. Department of Agriculture, manufactured housing mortgage loans and other mortgage-related securities.

Fannie Mae Single-Family Green MBS and Governance

Fannie Mae began issuing Single-Family Green MBS in April 2020 as an expansion of the company's existing Green Bond Program. The Single-Family Green MBS business strategy is led by Fannie Mae's Senior Vice-President for Capital Markets and includes a dedicated team of finance, communications, and sustainability experts. The team's expertise includes energy efficiency finance, energy and water efficiency technologies, renewable energy, and energy benchmarking protocols to Green Building Certifications. The team reports on issuance and performance of the Single-Family Green MBS business to the executive leadership of the company, including the Executive Vice-President of Single-Family Business, the Senior Vice-President of Enterprise ESG, and the Fannie Mae Community Responsibility & Sustainability Board Committee.

Use of Proceeds

The proceeds from the sale of Fannie Mae’s Single-Family Green MBS are used to finance:

- Green Building Certification Loans – Financing loans backed by properties that have been awarded Green Building Certifications (GBC) at the time construction is completed or within the last 5 years from the date Fannie Mae purchased the loan, and/or
- Solar Loans – Financing loans backed by properties which use solar photovoltaic (PV) systems as a source of renewable energy generation.

Green Building Certification Loans

To be eligible for Fannie Mae’s GBC program, the property backing the loan must be awarded a certification recognized by Fannie Mae as eligible for the program. In 2023, Fannie Mae recognizes 19 eligible certifications (see tables below). On an annual basis, Fannie Mae collaborates with an independent consultant to determine if new certifications should be added and to evaluate currently eligible certifications to ensure they meet the minimum program guidelines. This annual review process also groups the certifications into two categories, the Main Group and the Towards Zero Group. The Main Group has a baseline equivalency to ENERGY STAR V3.0 which requires at least a 10% improvement in energy savings over the state energy code where the property is located, and the Towards Zero Group identifies certifications which requires the properties to have a greater than 50% reduction in energy use.

Note: Beginning in January 2024, the Main Group baseline equivalency for the program will increase to ENERGY STAR V3.1, and Fannie Mae will require this latest version (and equivalent GBCs) for newly constructed properties completed in 2024 forward.

Towards Zero						
Certifications that require a greater than 50% reduction of energy use.						
Organization	Certification	Version	Also Available for Multi-Family?	Energy Savings vs. IECC 2006 Baseline	Ventilation Requirements	Previous Group
Home Innovation Research Labs	NGBS Green+ Net Zero Energy	2020	Yes	100%	ASHRAE 62.2-2010	N/A
International Living Future Institute	CORE Green Building Certification	1	Yes	50%	ASHRAE 62.1(2)-2016	Towards Zero
International Living Future Institute	Living Building Challenge	3 / 3.1 / 4	Yes	105%	ASHRAE 62.1(2)-2016	Towards Zero
International Living Future Institute	Zero Energy	1	Yes	100%	N/A	Towards Zero
Passive House Institute (PHI)	Certified Passive House	9 / 10	Yes	73%	Custom Requirements	Towards Zero
Passive House Institute (PHI)	EnerPHIt Certified Retrofit	9 / 10	Yes	73%	Custom Requirements	Towards Zero
Passive House Institute US (PHIUS)	PHIUS Certified	2018 / 2021	Yes	74%	Custom Requirements	Towards Zero
USGBC	LEED Zero	LEED Zero Energy	Yes	100%	ASHRAE 62.2-2007	Towards Zero
Build it Green	GreenPoint Rated New Home Single Family (CA Only)	8 / 8.3	No	53%	ASHRAE 62.2-latest version	Towards Zero

Main Group						
ENERGY STAR v3 or equivalent						
Organization	Certification	Version	Also Available for Multi-Family?	Energy Savings vs. IECC 2006 Baseline	Ventilation Requirements	Previous Group
U.S. Environmental Protection Agency	ENERGY STAR Multifamily New Construction	1 / 1.1 / 1.2	Yes	20%	Custom Requirements	N/A
U.S. Environmental Protection Agency	ENERGY STAR Single-Family New Homes	3 / 3.1 / 3.2	No	29%	Custom Requirements	Main Group
U.S. Environmental Protection Agency	ENERGY STAR Indoor Air Plus	1	Yes	29%	ASHRAE 62.2-2010	Main Group
Enterprise Community Partners	Enterprise Green Communities Criteria	2020	Yes	29%	ASHRAE 62.1-2010 & 62.2-2010	Main Group
Enterprise Community Partners	Enterprise Green Communities Criteria Plus	2020	Yes	40%	ASHRAE 62.1-2010 & 62.2-2010	N/A
Home Innovation Research Labs	National Green Building Standard (NGBS) Green Single Family Home Certification	2020	Yes	31%	ASHRAE 62.2-2010	Main Group
International Finance Corporation	EDGE	3	Yes	41%	N/A	Main Group
U.S. Department of Energy	Zero Energy Ready Home	1 / 2	Yes	40%	ASHRAE 62.2-2010	Main Group
USGBC	LEED BD+C Residential: Homes v4	v4	Yes	24%	ASHRAE 62.2 2010	Main Group
USGBC	LEED BD+C Residential: Homes v4.1	v4.1	Yes	24%	ASHRAE 62.2-2016	Main Group

Solar Loans

In 2023, Fannie Mae will begin allowing Solar PV loans into the Single-Family Green MBS program. The Solar PV loans can be used by borrowers who are financing a home with an existing solar PV system, refinancing a home with the proceeds paying off outstanding debt used for solar PV installation, or purchasing or refinancing a home with the loan proceeds being used to add solar PV to the property. To be eligible for consideration in the Single-Family Green MBS, Solar PV loans must have systems that produce a minimum of a 20% reduction of the home's electricity consumption on an annual basis.

Process for Project Evaluation and Selection

To secure the Single-Family Green MBS designation, all eligible loans sold to Fannie Mae by a lender must be identified as receiving, at a minimum, an approved GBC that achieves at least a 10% improvement in efficiency over the state energy code and/or at least a 20% reduction in a home's electricity usage offset by solar PV generation. In addition, before the MBS is issued, Fannie Mae will independently verify:

- The Green Building Certification by validating the existence of a valid certification through a proprietary database developed to capture the approval of the GBC by the rater, and/or
- A minimum of 20% reduction in electricity usage by reviewing property data to analyze the percentage of electricity usage offset by solar generation.

Management of Proceeds

Each Fannie Mae Single-Family Green MBS supports loans backed by single-family properties that have achieved and were awarded a GBC and/or met the performance eligibility target for Solar PV. The management of the proceeds from these securities is consistent across Fannie Mae's Single-Family securitization programs. Fannie Mae commits to acquire the mortgage loan from the lender if it conforms to all requirements stated in the Fannie Mae Single-Family Selling Guide. Once acquired, Fannie Mae securitizes the loan into a fully guaranteed MBS and sells the MBS to the general MBS investor community.

The intention of securitizing loans with similar characteristics is to provide liquidity and enhanced value back to the lenders for new origination loans backed by GBCs and/or Solar PV. Ideally, this value would be passed through to the borrower through energy savings and would increase the incentive to builders to construct more energy-efficient homes and lenders to finance installation of Solar PV.

Governance and Internal Audit

As part of the process for Fannie Mae to buy a mortgage loan from a lender, the lender is required to represent and warrant that the loans it is selling Fannie Mae meet general criteria described in the Fannie Mae Single-Family Selling Guide. Lenders must also represent that such loans have received an eligible GBC or a 20% reduction in electricity usage offset by solar PV for loans to be eligible for pooling into our Single-Family Green MBS. Once the loan is delivered to Fannie Mae and prior to pooling, we use the property characteristics to validate that the property did receive the certification and/or achieves the 20% electricity usage offset. If we find that the property backing the loan did not have a valid GBC and/or solar offset percentage, we will not allow the loan to be pooled into a Single-Family Green MBS. However, the loan would remain eligible for pooling into other single-family pools.

External Reporting

To support Fannie Mae's Single-Family Green MBS, we maintain a [webpage](#). This page provides a high-level overview of the program as well as a listing of the Green MBS issued to date. Fannie Mae is also committed to incorporating additional green disclosures into its MBS disclosure files in 2024. These disclosures will be made available on PoolTalk® and will consist of attributes in the MBS disclosure documentation identifying MBS that are fully backed by properties that were awarded GBC's (See table in section 2) or have requirements that meet the minimum eligibility criteria for Solar PV loans.

Fannie Mae also publishes an annual investor impact report describing the Green MBS eligible assets for the preceding year, providing projected annual energy saved (kBTU), projected annual emissions saved (MTCO₂e), as well as projected annual utility cost savings.

Appendix

Process for project evaluation and selection of Green Building Certification Mortgage loans

To secure the Single-Family Green MBS designation on a loan with an eligible GBC:

1. The delivered loan must conform to all requirements stated in the Fannie Mae Single-Family Selling Guide and have obtained an eligible GBC.
2. The loans are identified as eligible by the Lender or through an automated check at delivery, which occurs after locking the rate and closing the loan with the borrower.
3. Once the loan is delivered, Fannie Mae will independently validate the certification through a proprietary database developed to capture the approval of the GBC by the rater.
4. Failure to meet any of the above conditions will result in the inability of the loan to be pooled in a Single-Family Green MBS.

Process for project evaluation and selection of Solar PV Mortgage loans

To secure the Single-Family Green MBS designation on a Solar PV loan:

1. The delivered loan must conform to all requirements stated in Fannie Mae Single-Family Selling Guide and have obtained a HES report with a minimum of 20 percent of electricity usage reduced by Solar PV.
2. The lender must identify these loans upon delivery to Fannie Mae, which occurs after locking the rate and closing the loan with the borrower.
3. Once the loan is delivered, Fannie Mae will independently validate the HES report and eligibility percentage through a proprietary database developed to capture the data from the HES report.
4. Failure to meet any of the above conditions will result in the inability of the loan to be pooled in a Single-Family Green MBS.

Investor Disclosure

Fannie Mae's Single-Family Business publishes at-issuance and ongoing data for all Single-Family MBS through a web-based system called [PoolTalk](#). Through PoolTalk, investors can obtain comprehensive information about single-family securities and the underlying loans. Work is also in progress to incorporate attributes in the MBS disclosures identifying MBS that are fully backed by properties that were awarded eligible GBC's (See table in section 2) and/or meet the Solar PV loan criteria.

In addition to maintaining the Single-Family Green MBS webpage, Fannie Mae issues disclosure files that feed third-party sites such as Bloomberg, Intex, and eMBS. These third-party data providers are also working to improve their Green-related disclosures. Bloomberg has updated its description (DES) screen to identify Single-Family Green MBS, enabling investors to quickly determine if a bond falls under the Green Financing Business. The Bloomberg notation is identical to what is currently being presented for Fannie Mae's Multifamily Green MBS.

The Single-Family Green MBS team continues to work with these data providers to help investors with a Socially Responsible Investment (SRI) mandate to determine the appropriateness of Green MBS as a part of their investment portfolio.

Bloomberg Green Bond Flag

