



Fannie Mae®



# Sustainable Bond Framework

April 2022





# Contents

- About Us..... 3
- Fannie Mae ESG..... 3
- Fannie Mae Debt and MBS ..... 4
  - Corporate Debt Issuances..... 4
  - Single-Family and Multifamily Mortgage-backed Securities ..... 4
- Framework Overview..... 5
  - I. Use of Proceeds..... 5
  - II. Process for Project Evaluation and Selection ..... 7
    - Sustainable Debt Bond Project Evaluation..... 7
    - Single-Family MBS Project Evaluation ..... 7
    - Multifamily MBS Project Evaluation ..... 9
  - III. Management of Proceeds..... 11
    - Sustainable Debt Bond Management of Proceeds ..... 11
    - Sustainable MBS Management of Proceeds ..... 11
  - IV. Reporting ..... 11
    - Sustainable Debt Bond Reporting ..... 11
    - Single-Family MBS Reporting..... 11
    - Multifamily MBS Reporting..... 11
    - Impact Reporting..... 12
- External Review..... 13
- Amendments to the Framework ..... 13
- Framework Updates ..... 14
- Frameworks incorporated by Reference..... 14
- Resources..... 14
- Appendix: Multifamily Case Studies..... 15
- Disclaimer ..... 17



## About Us

**Fannie Mae is a government-sponsored enterprise (GSE) chartered by the United States Congress in 1938 to help ensure a reliable supply of mortgage funding throughout the United States.**

Our mission is to provide liquidity and promote stability and affordability in the U.S. single-family and multifamily residential mortgage market, which includes supporting access to credit for homeownership and affordable rental housing.

As a federally-chartered corporation, Fannie Mae operates in the secondary mortgage market, primarily working with lenders, who originate loans to borrowers. We do not originate loans or lend money directly to borrowers in the primary mortgage market. Fannie Mae supports the liquidity and stability of the U.S. mortgage market primarily by purchasing mortgage loans from lenders and securitizing them into mortgage-backed securities (MBS), which we then guarantee. We operate through two business lines: Single-Family and Multifamily.

The Single-Family business provides financing to individuals and families for properties that have four or fewer residential dwelling units. In 2019, this business provided \$596 billion in mortgage market liquidity, financing 2.3 million single-family mortgage loans, and was the largest issuer of 30-year single-family mortgage-related securities in the country. Our Single-Family business is instrumental in enabling homeownership and home affordability nationwide.

Fannie Mae's Multifamily business provides financing for professionally owned and operated residential buildings with five or more units. Our Multifamily business provided \$70 billion in multifamily mortgage market liquidity in 2019, which enabled the financing of approximately 726,000 rental units across the country.

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.<sup>1</sup>

## Fannie Mae ESG

Throughout our history, Fannie Mae has been at the forefront of affordable housing in the U.S. as a leading source of financing. Fannie Mae makes homeownership and workforce rental housing a reality for millions of Americans. The lack of affordable housing supply in the United States has emerged as one of our country's most pressing national issues. Through a multi-pronged approach, we support efforts dedicated to increasing liquidity, improving access to capital for homeowners, preserving affordable rental housing and reducing borrower costs. Guided by our long-standing mission to provide liquidity and, promote stability and affordability in the U.S. housing finance system, we continue to address the persistent and evolving affordable housing challenges that were exacerbated by a global pandemic. Our housing mission is not just part of our charter, it is who we are.

In 2010, Fannie Mae began expanding its support of working families by committing to improving the energy and water efficiency of multifamily properties. These efficiencies enable more affordable homes for families and individuals and more cost-effective properties for owners to operate. Since its inception and through year-end 2019, Fannie Mae has infused over \$75 billion into the global green bond market through 3,300 individual multifamily bonds. Early in 2020, Fannie Mae issued its first Single-Family Green MBS, bringing the same level of rigor and transparency to the single-family residential housing market. We believe this Single-Family program provides an opportunity to produce significant cost savings to homeowners through more affordable and energy efficient housing.

---

<sup>1</sup>Our regulator and conservator, the Federal Housing Finance Agency (FHFA), and the U.S. Treasury entered into an agreement that permits

Fannie Mae to continue to fulfill our mission. A key term of the agreement is that the U.S. Treasury provides funding if the company's net worth falls below zero in any given quarter. Upon entering into the agreement, the U.S. Treasury stated that holders of senior debt, subordinated debt, and

MBS issued or guaranteed by Fannie Mae are protected by the agreement without regard to when those securities were issued or guaranteed.



Building on our long history of supporting solutions that drive social and economic progress, environmental sustainability, and responsible business practices, Fannie Mae formalized its strategic approach to Environmental, Social and Governance (ESG) issues and launched its ESG strategy in 2019. Fannie Mae committed to ESG with the support of its Board and executive leadership. In 2019, a new Board Committee was formed, the Community Responsibility & Sustainability Board Committee, to focus on our mission-oriented efforts and to cement our commitment to becoming a leading ESG company. In Fannie Mae's [2019 Form 10-K](#), Fannie Mae announced to the market that ESG is one of its three Strategic Objectives: to build on our mission-oriented activities to become a globally recognized, top-performing ESG financial services company by delivering positive mission and community outcomes with our stakeholders. More about ESG at Fannie Mae is available at [www.fanniemae.com/esg](http://www.fanniemae.com/esg).

In alignment with this Sustainable Bond Framework (the "Framework"), we may issue unsecured corporate debt bonds and allocate the net proceeds from such issuances to finance one or more projects we believe will have environmental (Green Debt Bonds), or societal (Social Debt Bonds) factors or benefits, or a combination of those benefits (Sustainable Debt Bonds). In addition, we will continue to issue our Green Single-Family and Multifamily MBS and may also issue MBS backed by single-family or multifamily loans that we believe were originated taking into account one or more societal (Social MBS) factors or benefits or a combination of those benefits (Sustainable MBS). Sustainable Bonds in this Framework include "Sustainable Debt Bonds", which are unsecured corporate debt bonds classified as Green, Social, or Sustainable, and "Sustainable MBS", which are single-family or multifamily MBS classified as Green, Social, or Sustainable.

## Fannie Mae Debt and MBS

### Corporate Debt Issuances

Fannie Mae obtains the funds to finance its mortgage purchases and other business activities by selling corporate debt securities in the domestic and international capital markets. Our debt obligations are traded in the "U.S. agency" sector of the marketplace. This classification is due in part to the creation and existence of the corporation under federal law and the public mission that the corporation serves. Fannie Mae's debt securities are unsecured obligations of the corporation and are not backed by the full faith and credit of the U.S. Government.

Fannie Mae's long-term senior debt and short-term senior debt credit ratings issued by the three major credit rating agencies are available on its webpages at [www.fanniemae.com](http://www.fanniemae.com).

### Single-Family and Multifamily Mortgage-backed Securities

Fannie Mae's Single-Family and Multifamily businesses issue MBS secured by a beneficial ownership interest in either a single mortgage loan or a pool of mortgage loans secured by residential properties. Fannie Mae ensures that the loans it acquires meet its guidelines for credit quality before it securitizes the loans into MBS and provides the guaranty of timely payment of principal and interest to the MBS investor. The certificates and payments of principal and interest on the certificates are not guaranteed by the U.S. Government and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.

Fannie Mae currently issues Single-Family and Multifamily Green MBS, which are MBS in which the underlying loans meet designated environmental criteria. Fannie Mae also issues Green Guaranteed Multifamily Structures (Fannie Mae GeMS™), which are multifamily structured securities issued through real estate mortgage investment conduit transactions backed by Multifamily Green MBS.

While Standard & Poor's, Fitch, and Moody's have not rated any of the MBS issued directly by Fannie Mae, securities collateralized by Fannie Mae MBS and issued by other entities are rated consistently as "Triple A" (AAA), the highest quality. In addition, Fannie Mae MBS are assigned a 20% risk-based weighting under Basel accounting rules, which determine capital reserve requirements for banking entities. A 20% risk weighting places Fannie Mae MBS in an asset category generally considered to be of very high credit quality.



## Framework Overview

This Framework will guide issuances of Fannie Mae’s Sustainable Debt Bonds (unsecured corporate debt bonds classified as Green, Social, or Sustainable) and Sustainable MBS (MBS classified as Green, Social or Sustainable). This Framework addresses the four components of the International Capital Markets Association (ICMA) Social Bond Principles (SBP), Green Bond Principles (GBP) and the union of both as outlined in the Sustainability Bond Guidelines (SBG) as well as their recommendation on the use of external reviews and impact reporting:

- I. Use of Proceeds
- II. Process for Project Evaluation and Selection
- III. Management of Proceeds
- IV. Reporting

### I. Use of Proceeds

Fannie Mae’s Sustainable Debt Bonds and Sustainable MBS are expected to finance sustainable assets that align to the ICMA project categories and UN Sustainable Development Goals (SDGs) that are listed below.

- Sustainable Debt Bonds: An amount equal to the net proceeds of a designated issuance of Sustainable Debt Bonds will be used to finance or re-finance, in part or in full, new and/or existing assets that meet designated eligibility criteria described below (Eligible Assets). Eligible Assets may include existing assets within Fannie Mae’s general accounts funded up to 36 months prior to the issuance date and new assets acquired post-issuance. It is our intention to fully allocate the net proceeds from a Sustainable Debt Bond within 24 months of issuance. Pending allocation (or re-allocation), funds will be managed in accordance with Fannie Mae’s normal liquidity activities.
- Sustainable MBS: Fannie Mae will acquire mortgage loans backed by properties meeting the eligibility criteria described below and securitize those mortgage loans into Sustainable MBS.



ICMA SBP and GBP Project Categories	UN SDGs	Sustainable Assets Eligibility Criteria
<b>SBP: Access to Essential Services</b>	<b>1: No Poverty</b>	Investments that may include: <ul style="list-style-type: none"> <li>▪ Supporting financing for vulnerable groups such as those impacted by natural disaster, or the general population affected by the global health pandemics impacting the U.S.</li> <li>▪ Strengthening communities by supporting housing</li> </ul>
<b>SBP: Socioeconomic Advancement and Empowerment</b>	<b>10: Reduced Inequalities</b>	Investments that may include: <ul style="list-style-type: none"> <li>▪ Enabling the acquisition or financing of single-family and multifamily housing in underserved communities</li> <li>▪ Providing access to capital to traditionally underserved and underrepresented groups</li> <li>▪ Equity commitment to fund affordable rental housing in underserved markets</li> </ul>
<b>SBP: Affordable Housing</b>	<b>11: Sustainable Cities and Communities</b>	Investments that may include: <ul style="list-style-type: none"> <li>▪ Enabling the acquisition or financing of single-family housing affordable to low-to-moderate income individuals and families using the following guidance: <ul style="list-style-type: none"> <li>▪ Very low income &lt;=50% Area Median Income (AMI)</li> <li>▪ Low income &lt;=80% AMI</li> <li>▪ Moderate-Income &lt;=100% AMI</li> <li>▪ Workforce Housing &lt;=120% AMI</li> </ul> </li> <li>▪ Enabling the acquisition or financing of multifamily properties affordable to low-to-moderate income individuals and families through Workforce Housing: <ul style="list-style-type: none"> <li>▪ Restricted Affordable Housing</li> <li>▪ Unrestricted Affordable Housing</li> <li>▪ Manufactured Housing Communities</li> </ul> </li> <li>▪ Enabling investments that incentivize the improvement of the health and well-being of multifamily tenants through building design and resident services</li> <li>▪ Providing liquidity to Housing Finance Agencies (HFAs) and Community Development Financial Institutions (CDFIs) in support of affordable housing in underserved communities</li> </ul>
<b>GBP: Energy Efficiency</b>	<b>7: Affordable and Clean Energy</b>	Investments that may include: <ul style="list-style-type: none"> <li>▪ Reducing energy and water consumption of buildings we finance</li> <li>▪ Contributing to the generation of renewable sources of energy of the buildings we finance</li> </ul>
<b>GBP: Green Buildings</b>	<b>11: Sustainable Cities and Communities</b>	Investments that may include financing a multifamily or residential property that has received a third-party green building certification from a select group of approved certifications



## II. Process for Project Evaluation and Selection

### Sustainable Debt Bond Project Evaluation

Fannie Mae has established a Sustainable Debt Bond Group, an advisory group comprised of members from Treasury, Financial Planning & Analysis, Enterprise ESG, Investor Relations & Marketing, and Legal. This group will be responsible for the review and recommendation of assets that qualify as Eligible Assets to which net proceeds from the issuance of a Sustainable Debt Bond will be allocated. The process is generally as follows:

**Intake:** Assets and projects potentially eligible for an allocation of funding from the net proceeds of a Sustainable Debt Bond will be proposed to the Sustainable Debt Bond Group. At a minimum, the proposal will include:

- Objective and description of the asset/project to be potentially funded, including potential positive social or environmental outcomes and target population (general public, underserved market, low-income, etc.)
- Estimate of amount needed to be funded
- Timeline for funding (look back and go forward)
- Technical feasibility, including appropriate identification of asset/project to support ongoing allocation reporting
- Timeline requested for response

**Review:** The Sustainable Debt Bond Group will review submissions on a periodic basis. As part of such review, the group will evaluate items including but not limited to:

- the asset/project's fit within Fannie Mae's Sustainable Bond Framework
- the overall financial feasibility of the project
- the legal feasibility of the project, including alignment with Fannie Mae's charter and mission
- the technical feasibility of the project

**Recommendation and Approval:** Following its review, the Sustainable Debt Bond Group will decide whether or not to recommend the submitted project or asset to receive an allocation of funds from the net available proceeds from a Sustainable Debt Bond. This group may request additional information in order to arrive at a decision. As part of this recommendation decision, potential next steps may be discussed to ensure appropriate project allocation and tracking. Final review and approval of all assets and projects allocated to the bond offering is made by the appropriate Fannie Mae officer(s).

**Exclusion Criteria:** Fannie Mae's charter and guidance from its regulator and conservator defines the eligible activities and investments of the company. Activities or investments that are not within the charter, prohibited by current regulatory guidance, or not within the parameters of this Framework will not be considered by the Sustainable Debt Bond Group.

#### **Project Management:**

- A summary of outcomes and decisions of the Sustainable Debt Bond Group will be tracked for internal oversight and review.
- The Sustainable Debt Bond Group, or their designee, will review existing allocations from Sustainable Debt Bond issuances on a periodic basis to ensure compliance with approved asset/project selection.

### Single-Family MBS Project Evaluation

When Fannie Mae acquires a mortgage loan from a lender, the lender represents and warrants to Fannie Mae that the loan satisfies general criteria described in the Fannie Mae Single-Family *Selling Guide*. In addition, the lender may represent to us that the loan satisfies other underwriting standards or criteria. In order for a loan to be eligible for inclusion in a Sustainable MBS, the lender must represent, or Fannie Mae must otherwise be able to ascertain, that the loan satisfies one of the following Sustainable Impact Criteria.



## Sustainable Impact Criteria for Single-Family MBS

### Affordable Housing:

Fannie Mae Single Family business' long-standing commitment to affordable housing is the foundation of our Social MBS program. Our Social MBS program focuses on an AMI limitation of 120% or less for primary residence purchase and refinance loans.

AMI Threshold	Designation
<=50%	Very Low Income
<=80%	Low Income
<=100%	Moderate Income
<= 120%	Workforce Housing

These AMI thresholds serve to ensure that our Social Single-Family MBS are targeted to support low- and moderate-income borrowers, pairing well with our affordable loan products, to provide investors with the opportunity to tailor their support to these communities. Such affordable loan products include, but are not limited to:

- **HomeReady®:** Conventional home loans that are meant to help low- and moderate-income borrowers. HomeReady loans reduce the typical down payment and mortgage insurance requirements and are also more flexible about allowing contributions from other people.
- **Manufactured Housing (MH) Lending Programs:** MH Advantage® is a homeownership option that pairs affordable financing with specially designated manufactured housing having characteristics typical of site-built homes. Standard MH financing, for homes that don't qualify for MH Advantage, provides a path to homeownership for millions of American households, especially in high-cost and rural areas.
- **Community Seconds®:** Subordinate mortgage that is used in connection with a first mortgage delivered to Fannie Mae, and permits Fannie Mae lenders to leverage public, nonprofit, and employer funds to finance a down payment and/or closing costs.
- **HFA Preferred™:** Fannie Mae product that enables eligible Housing Finance Agencies (HFAs) to offer loans to borrowers with up to 97 percent LTV ratios. It also allows for reduced mortgage insurance coverage with no loan-level price adjustment (LLPA) for loans at or below 80% AMI.

The access to liquidity for affordable lending that these MBS will provide aligns with the SBP project category of socioeconomic advancement and empowerment as it seeks to achieve positive socioeconomic outcomes for target populations and create vibrant communities. This will be achieved through a continued focus on providing low-income borrowers with access to credit through our affordable lending programs.

### Green MBS:

Fannie Mae's Single-Family business began issuing Green MBS in 2020 following the guidance laid out in the [Single-Family Green Bond Framework](#), referenced later in this Framework. Single-Family Green MBS are currently backed by newly constructed residential properties that have received, at a minimum, ENERGY STAR certifications that meet or exceed the national program requirements for ENERGY STAR Certified Homes, Version 3.0. In addition, before Green MBS are issued, Fannie Mae independently verifies the green building certification by validating the certification against the approved Green Building Certification by the rater.

Fannie Mae's Single-Family business may include loans certified by other Green Building Certifications that are comparable or exceed the requirements of ENERGY STAR Certified Homes, Version 3.0.





## Multifamily MBS Project Evaluation

Fannie Mae's national network of Delegated Underwriting and Servicing (DUS) lender partners provide mortgage loans to commercial real estate owners for the acquisition or refinance of multifamily properties. These loans are secured by several types of multifamily properties, including apartment buildings, manufactured housing communities, seniors housing, dedicated student housing, affordable housing, and cooperatives. If a loan conforms to Fannie Mae's standards, DUS lenders may then sell the loan to Fannie Mae to guarantee and securitize in the form of an MBS. These securities are then sold to investors in the capital markets as agency commercial mortgage-backed securities (CMBS). Loans purchased by Fannie Mae from its DUS lenders will be Eligible Assets under this Framework if they:

- Conform to the [Multifamily Selling and Servicing Guide](#) (the "Guide") requirements;
- Conform to additional requirements documented in Fannie Mae Forms;
- Contain all required modifications and exhibits to the Loan Agreement; and
- Meet one of the defined Sustainable Impact Criteria at loan origination.

### Sustainable Impact Criteria for Multifamily DUS MBS:

**Restricted Affordable Housing:** The most restrictive of all the Fannie Mae's affordable housing offerings, a Restricted Affordable Housing loan is available on a Multifamily Affordable Housing (MAH) property which is encumbered by a regulatory agreement. The property must provide rent-restricted housing subsidized by various government programs including Low-Income Housing Tax Credits (LIHTC), the U.S. Department of Housing and Urban Development's Section 8 program, and state and local housing incentive initiatives. The rent or income restrictions on the property must meet or exceed one of the following:

- **20% @ 50%:** at least 20% of all units have rent or income restrictions in place making them affordable to households earning no more than 50% of AMI as adjusted for family size.
- **40% @ 60%:** at least 40% of all units have rent or income restrictions in place making them affordable to households earning no more than 60% of AMI as adjusted for family size (except for New York City, where at least 25% of all units have rent or income restrictions in place, making them affordable to households earning no more than 60% of AMI as adjusted for family size).
- **Section 8 Housing Assistance Payments (HAP) contract:** at least 20% of all units are subject to a project-based HAP contract.
- **Special Public Purpose:** the property
  - is subject to an Affordable Regulatory Agreement imposed by a government entity, containing other rent and/or income restrictions,
  - has rent or income restrictions that meet or exceed **20% @ 80%:** at least 20% of all units have rent or income restrictions in place making them affordable to households earning no more than 80% of AMI as adjusted for family size,
  - with rent not exceeding 30% of the adjusted AMI, and
  - meets a noteworthy special public purpose.
- **Self-Imposed Restrictions:** the borrower may voluntarily self-impose rent and income restrictions to preserve multifamily affordable housing. These restrictions must:
  - be placed on record against the property;
  - remain in place during the mortgage loan term; and
  - be certified annually by the borrower and a third-party Administering Agent
  - be monitored by the lender to ensure the property's compliance.



**Unrestricted Affordable Housing:** In order to meet the needs of workforce households across the spectrum, Fannie Mae provides financing for market-rate units that do not receive support from government housing programs, but still offer affordable rents in their local markets. These units are generally in class B or C properties that may provide affordable rents due to the age, condition or location of the asset. For a property to qualify as Unrestricted Affordable Housing, at least 80% of all units must be affordable to households earning no more than 60% of AMI.

**Manufactured Housing Communities (MHC):** Manufactured housing continues to be an important part of the affordable housing stock, both for owners and renters. The median annual household income of manufactured home residents who own their homes is approximately \$35,000, half of the median annual income of site-built homeowners. For renters of manufactured housing, over one-third earn less than \$20,000 per year.<sup>2</sup> In order to support this community, Fannie Mae provides financing for owners of MHC sites in which the individual pad sites are leased to owners of manufactured homes. Through its program requirements, Fannie Mae seeks to influence the quality and affordability of these communities:

- Additional support is available for:
  - Communities that implement Tenant Site Lease Protections for at least 25% of the Sites, limiting the annual rent increases for tenants.
  - Communities owned by a non-profit entity.
- The percentage of park-owned homes generally may not exceed 35%.
- Density is based on market norms and generally should not exceed 12 Manufactured Homes per acre for an existing community and seven Manufactured Homes per acre for a new community.
- With limited exceptions, all Manufactured Homes should conform to applicable Manufactured Housing (MH) Housing and Urban Development (HUD) Code standards.

**Healthy Housing Rewards™:** Our Healthy Housing Rewards initiative provides financial incentives for borrowers who incorporate health-promoting design features and practices or resident services in their newly constructed or rehabilitated multifamily affordable rental properties. Properties can follow one of two pathways:

- **Healthy Design:** Properties that are designed to encourage physical activity, healthy eating and improved air quality - such as playgrounds, community gardens and tobacco-free policies. Properties must meet or exceed the minimum certification standards of the Fitwel® Certification System which is operated by the Center for Active Design.
- **Resident Services:** Property owners must become (or partner with) a CORES certified sponsor and obtain Enhanced Resident Services (ERS) certification for their property. The certifications are operated by Stewards for Affordable Housing for the Future. Borrowers who incorporate a system of resident services for their tenants -- such as health and wellness services, work and financial capability support, and child education and academic support.

**Green Financing:** Fannie Mae offers two Green Mortgage Loan products through its Multifamily DUS business:

- **Green Building Certification:** To be eligible for a Green Building Certification loan, a property must have been awarded a certification recognized by Fannie Mae. As of the date of this Framework, there are 35 different certifications from 12 different issuing organizations that are recognized.
- **Green Rewards:** To be eligible for a Green Rewards Mortgage Loan, the property owner must commit to install energy and water efficiency measures that are projected to reduce whole property energy and water consumption combined by at least 30%, inclusive of a minimum of 15% reduction in energy consumption. Energy consumption reduction requirements may be met through a combination of renewable energy generation and energy efficiency.

The alignment of Fannie Mae's Multifamily Green Financing Program with the GBP is detailed in the [Multifamily Green Bond Framework](#), referenced later in this Framework.

---

<sup>2</sup> Manufactured Housing Landscape 2020, Multifamily Economic and Market Commentary, May 2020, Fannie Mae



### III. Management of Proceeds

#### Sustainable Debt Bond Management of Proceeds

For Sustainable Debt Bonds, until final allocation, Fannie Mae will track net proceeds through an internal clearing account. This clearing account will track the difference between the net proceeds received from the issuance of the Sustainable Debt Bonds and the amounts allocated to Eligible Assets. The balance in the clearing account will decrease as proceeds are allocated to Eligible Assets and increase as new Sustainable Debt Bonds are issued. Monitoring of the internal clearing account is performed by Fannie Mae's Treasury team on an ongoing basis.

It is Fannie Mae's intent to allocate an aggregate amount of Eligible Assets equal to or greater than the net proceeds from the issuance of Sustainable Debt Bonds, and Fannie Mae intends to have all proceeds allocated from an issuance of Sustainable Debt Bonds within 24 months. However, there may be periods when a sufficient aggregate amount of Eligible Assets has not yet been allocated, or funds that were allocated are returned due to redemption or pay-off of underlying Eligible Assets. Pending allocation (or re-allocation), funds will be managed in accordance with Fannie Mae's normal liquidity activities.

#### Sustainable MBS Management of Proceeds

Single-Family Sustainable MBS are backed by single-family properties meeting the eligibility criteria defined in the Framework, and Multifamily Sustainable MBS are generally backed by an individual loan originated by one of our DUS lenders in compliance with our published DUS origination and servicing standards and whose collateral property meets one of the eligibility criteria defined in the Framework. The management of the proceeds from these securities are consistent across Fannie Mae's securitization program. Fannie Mae commits to acquire the mortgage loans from the lenders if they conform to all requirements stated in Fannie Mae's Selling Guides. Once acquired, Fannie Mae securitizes the loan into a fully guaranteed MBS and the MBS is auctioned to the general MBS investor community. The proceeds from the sale of Sustainable MBS will finance the acquisition or refinancing of a property that must also meet one of the eligibility criteria set in the Framework.

### IV. Reporting

#### Sustainable Debt Bond Reporting

For Sustainable Debt Bonds, Fannie Mae expects to provide reporting periodically after issuance and continuing until the full amount of the offering has been allocated, in the following manner:

- Allocation reporting, (including management's assertion that use of proceeds comply with the eligibility criteria of this Framework);
- the amount of proceeds allocated;
- the balance of unallocated proceeds; and
- impact reporting as described below.

#### Single-Family MBS Reporting

Fannie Mae's Single-Family business publishes at-issuance and ongoing data for all Single-Family MBS through a web-based system called [PoolTalk](#)<sup>®</sup>. Through PoolTalk, investors can obtain comprehensive information about single-family securities and the underlying loans. Initially, any social, green or sustainable bond issuance in single-family MBS will be reported through Fannie Mae's public website. Work is also in progress to provide a publicly available attribute to identify MBS that are aligned with this Framework.

#### Multifamily MBS Reporting

Fannie Mae's Multifamily business publishes data both at-issuance and ongoing for its MBS through a web-based system called [DUS Disclose](#)<sup>®</sup>. Through DUS Disclose, investors can obtain comprehensive information about multifamily securities including the performance of the loans backing multifamily MBS and financial information at the property level.



DUS Disclose provides the following features:

- At-issuance and ongoing disclosure documents and data that align with the industry;
- Detailed property financial statement disclosure;
- Security, loan, and property information in a downloadable format;
- Available active and terminated security information; and
- A user-friendly interface.

DUS Disclose users can search a multifamily pool number or CUSIP in the website or use the advanced search feature. This search feature allows investors to customize a downloadable search result including extensive pool information such as factors, loan details, and weighted-average statistics.

Fannie Mae's disclosure system also includes certain affordability and green data that is required to be reported by multifamily borrowers using Fannie Mae's financing products including the percentage of units at a MAH property falling into certain % AMI buckets as well as the multiple green disclosure fields outlined in the Fannie Mae Multifamily Green Bond Framework. In addition, the property type of every financed asset is disclosed as well as the specific address information needed to determine the local area's economic composition. It is anticipated that a Social Bond flag will be available for certain eligible social multifamily MBS assets in Q1 2021. The data available has evolved over time as both the data points collected and the time points at which data are collected have expanded, and we would expect the same evolution here. Fannie Mae is committed to providing extensive disclosure on Sustainable MBS to enable investors to evaluate the performance of each property.

Fannie Mae publishes single-family and multifamily MBS disclosure files that feed third-party sites such as Bloomberg, Intex, and eMBS. Some third-party data providers include ESG-related disclosures. For example, Bloomberg's current MBS disclosure screens for Single-Family MBS includes a Green Flag as well as the percentage of Manufactured Housing backing the security, and for Multifamily MBS includes fields disclosing the percentage of units at the property that are affordable to renters earning no more than 60% of AMI, if the property is a manufactured housing community, and if it is also part of Fannie Mae's Green Financing program. These fields enable investors to quickly determine if a bond meets their portfolio requirements. Fannie Mae continues to work with these data providers in order to help investors with a Socially Responsible Investment (SRI) mandate to determine the appropriateness of Sustainable MBS as a part of their investment portfolio.

## Impact Reporting

Fannie Mae is committed to providing investors reporting on the assets and projects financed by its Sustainable Debt and MBS on an annual basis, starting approximately one year after issuance through its annual impact reporting process. Fannie Mae expects to report on the social, green, and financial impact of its Sustainable Debt and MBS issuances, where feasible. Potential impact reporting metrics, which may change over time, may include:



ICMA SBP and GBP Project Categories	Potential Impact Reporting Metric
<b>SBP: Access to essential services</b>	<ul style="list-style-type: none"> <li>▪ Number of loans financed through corporate debt for Eligible Assets</li> <li>▪ Unpaid Principal Balance (UPB) of loans financed through corporate debt for Eligible Assets</li> </ul>
<b>SBP: Socioeconomic advancement and empowerment</b>	<ul style="list-style-type: none"> <li>▪ UPB of loans financed</li> <li>▪ number of homes financed</li> <li>▪ % AMI distribution of homes financed</li> <li>▪ number of loans financed in underserved markets</li> <li>▪ number of minority- and women-owned firms employed in syndication of deals</li> <li>▪ dollars invested in affordable equity fund</li> <li>▪ number of affordable properties supported by equity fund</li> <li>▪ % AMI of properties supported by equity fund</li> <li>▪ number of units supported by equity fund</li> </ul>
<b>SBP: Affordable housing</b>	<ul style="list-style-type: none"> <li>▪ UPB of loans financed</li> <li>▪ number of properties/units financed</li> <li>▪ % AMI distribution of homes financed</li> <li>▪ number of pads financed (MHC)</li> </ul>
<b>GBP: Energy Efficiency</b>	<ul style="list-style-type: none"> <li>▪ number of properties improved</li> <li>▪ number of units in Green Rewards buildings</li> <li>▪ projected well-paid jobs created or supported</li> </ul> <p>Refer to Multifamily Green Bond Impact Report for additional examples of impact achieved from bond issuance.</p>
<b>GBP: Green Buildings</b>	<ul style="list-style-type: none"> <li>▪ metric tons of greenhouse gas emissions prevented</li> <li>▪ number of properties with GBCs</li> <li>▪ number of units in GBC buildings</li> </ul> <p>Refer to Multifamily Green Bond Impact Report for additional examples of impact achieved from bond issuance.</p>

## External Review

Fannie Mae has received a [Second-Party Opinion](#) on its Sustainable Bond Framework from Sustainalytics, evaluating the alignment of the Framework and proposed eligible project categories with the Social Bond Principles, the Green Bond Principles and the Sustainability Bond Guidelines.

For Social Debt Bonds, Fannie Mae may request an external verification with respect to the management of proceeds. Such external verification may be provided by an auditor or an external expert and may be completed and provided after the amount equal to the net proceeds from its social bonds has been fully allocated.

## Amendments to the Framework

Fannie Mae will review this Framework on a regular basis, including its alignment to updated versions of the International Capital Markets Association (ICMA) Social Bond Principles, the Green Bond Principles and the Sustainability Bond Guidelines. Such review may result in the Framework being updated and amended. Any updates will be posted on the Fannie Mae website.



## Framework Updates

Date	Update
April 2022	<p>Updated the definition of multifamily residential properties to qualify as Unrestricted Affordable Housing, making the definition more restrictive.</p> <p>From: For a property to qualify as Unrestricted Affordable Housing, at least 80% of all units must be affordable to households earning no more than 120% of AMI.</p> <p>To: For a property to qualify as Unrestricted Affordable Housing, at least 80% of all units must be affordable to households earning no more than 60% of AMI.</p> <p>Sustainalytics provided a Second Party Opinion (SPO) on our November 2020 Framework and Fannie Mae intends to engage Sustainalytics for an updated SPO.</p>
November 2020	Initial Sustainable Bond Framework created; Sustainalytics SPO obtained.

## Frameworks incorporated by Reference

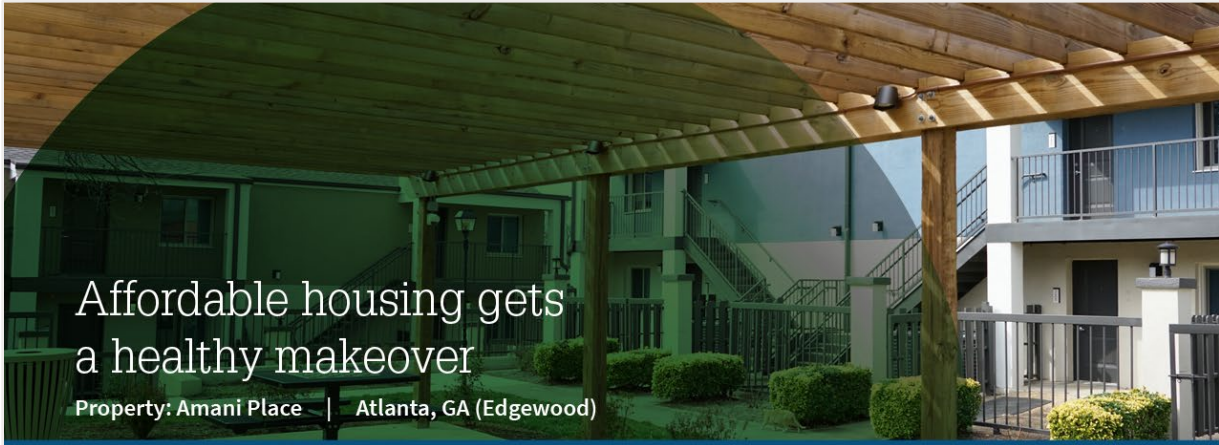
- [Fannie Mae Single-Family Green Bond Framework](#)
- [Fannie Mae Multifamily Green Bond Framework](#)

## Resources

- [Fannie Mae’s Environmental, Social, Governance webpage](#)
- [Fannie Mae’s Capital Markets webpages](#) for more information on its mortgage-backed securities and debt offerings
- [Fannie Mae’s Green Bonds webpage](#)
- [Fannie Mae’s Social Bonds webpage](#)
- [Fannie Mae’s 2020 Green Bond Impact Report](#)
- [Fannie Mae’s Board of Directors Community Responsibility and Sustainability Committee Charter](#)
- [Fannie Mae’s Annual and Quarterly Results](#)
- [Fannie Mae PoolTalk](#), its Single-Family MBS disclosure application
- [Fannie Mae DUS Disclose](#), its Multifamily MBS disclosure application
- [United Nations Sustainable Development Goals \(SDGs\) webpage](#)
- [ICMA SBP webpage](#)
- [ICMA GBP webpage](#)
- [Sustainalytics Second-Party Opinion](#)



# Appendix: Multifamily Case Studies



Affordable housing gets a healthy makeover

Property: Amani Place | Atlanta, GA (Edgewood)

<b>222 units</b>	<b>1950</b> <small>with substantial rehabilitation in 1980</small>	<b>\$23.1 million</b>
<small>Property details</small>	<small>Year built</small>	<small>Loan amount</small>



### The challenge

Formerly called Edgewood Court, Amani Place is in the Edgewood area of Atlanta and was originally built in 1950. In 2017, the property needed serious repair and upgrades that totaled \$18 million.

### The solution

We partnered with Jonathan Rose Companies and Capital One to provide a better environment for residents. The financing package included Healthy Housing Rewards™ Healthy Design, a new product offering that was paired with Green Rewards, and the MBS as Tax-Exempt Bond Collateral (M.TEB). Our loan also received \$28.6 million from other sources, bringing total development costs to \$51.7 million.

- Lender:** Capital One
- Borrower:** Jonathan Rose Companies
- Financing:** Healthy Housing Rewards™ Healthy Design, Green Rewards, M.TEB



### The result

Amani Place has improved in safety, efficiency, and affordability. Amenities like a community garden, outdoor seating, new playgrounds, and a gym make the property healthier for residents. Energy and water savings are projected to be \$175,000. Lastly, the transaction preserved 204 Section 8 units and created an additional 18 affordable units via 4% LIHTC tax credits, restricting all units to 60% Area Median Income.

[fanniemae.com/multifamily](https://fanniemae.com/multifamily)

© 2020 Fannie Mae

Last updated October 2020





# Preserving a cultural icon of affordable senior living in D.C.'s Chinatown

Property: Wah Luck House | Washington, D.C.

<b>152 units</b>	<b>1982</b>	<b>\$50,592,000</b>
Property details	Year built	Loan amount



## The challenge

As one of the last remaining affordable properties in D.C.'s Chinatown, Wah Luck House is both an economic and cultural stronghold for its elderly residents, many of whom immigrated to the U.S. from China. NFAHS, a nonprofit based in Maryland, planned to preserve Wah Luck as a source of affordable housing while providing much-needed upgrades.

## The solution

The transaction utilized Fannie Mae's MBS as Tax-Exempt Bond Collateral (M.TEB) product, which allows for faster closings and declining prepayment options. M.TEB also allows for flexibility in loan tolerances based on properties' affordability. Wah Luck House, fully income-restricted under the Low-Income Housing Tax Credit (LIHTC) program, was eligible for a 90% loan-to-value ratio and 1.15x minimum debt cover.

- Lender:** Greystone Servicing Company
- Borrower:** National Foundation for Affordable Housing Solutions (NFAHS)
- Financing:** LIHTC, M.TEB Execution, Moderate Rehab



## The result

With \$50 million in low-cost financing from Fannie Mae, NFAHS acquired Wah Luck House and completed \$9.5 million in tenant-in-place renovations (\$51,000/unit). The property remains highly affordable, with 100% of units restricted to 60% Area Median Income or below through a Section 8 Housing Assistance Payments (HAP) contract.





## Disclaimer

This Sustainable Financing Framework (the “Framework”) is provided by Fannie Mae for informational purposes only, is provided as of the specified date, and is subject to change without notice. Fannie Mae does not assume any responsibility or obligation to update or revise any statements in this document, regardless of whether those statements are affected by the results of new information, future events or otherwise. No representation or warranty, express or implied, is or will be made in relation to the accuracy, reliability or completeness of the information contained herein. No liability whatsoever is or will be accepted by Fannie Mae for any loss or damage howsoever arising out of or in connection with the use of, or reliance upon, the information contained in this document.

This Framework represents current Fannie Mae policy and intent and is not intended to, nor can it be relied upon, to create legal relations, rights, or obligations.

This Framework does not constitute, or form part of, any offer or invitation to purchase, underwrite, subscribe for or otherwise acquire or dispose of, or any solicitation of any offer to purchase, underwrite, subscribe for or otherwise acquire or dispose of, any debt or other securities (“securities”) of Fannie Mae and is not intended to provide the basis for any credit or any other third-party evaluation of securities. If any such offer or invitation is made, it will be done so pursuant to separate and distinct documentation in the form of a pricing supplement, prospectus supplement, an accompanying prospectus or other equivalent document and a related pricing term sheet (the “Offering Documents”) and any decision to purchase or subscribe for any securities pursuant to such offer or invitation should be made solely on the basis of such Offering Documents and not this Framework.

This Framework is not incorporated by reference into, or a part of, any Offering Documents or any security. Any failure of Fannie Mae to comply with this Framework will not constitute a default under, or breach of any security.

This Framework should not be considered as a recommendation that any investor should subscribe for or purchase any securities, nor as an assessment of the economic performance and creditworthiness of the securities. Any person who subsequently acquires securities must rely solely on the Offering Documents prepared by Fannie Mae in connection with such securities, on the basis of which alone purchases of or subscription for such securities should be made. In particular, investors should pay special attention to any sections of Offering Documents describing any risk factors. The merits or suitability of any securities or any transaction described in these materials to a particular person’s situation should be independently determined by such person. Any such determination should involve, among other things, an assessment of the legal, tax, accounting, regulatory, financial, credit and other related aspects of the securities or such transaction.

Certain statements in this Framework constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words and terms such as “aim,” “allocate,” “anticipate,” “believe,” “consider,” “deliver,” “drive,” “enable,” “enhance,” “estimate,” “expand,” “expect,” “fulfill,” “goal,” “impact,” “improve,” “include,” “intention,” “maintain,” “manage,” “may,” “potential,” “promote,” “reduce,” “result,” “seek,” “should,” “strategy,” “subsequently,” “target,” “update,” “will” and other words and terms of similar meaning, or are tied to future periods, in connection with a discussion of future performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results.

Many factors will be important in determining the results of Fannie Mae. Forward-looking statements are based on assumptions and current expectations, which may be inaccurate, and on the current economic environment, which may change. These statements are not guarantees of future performance. They involve a number of risks and uncertainties that are difficult to predict. Results and the use of proceeds from any issuance of Social Bonds or Social MBS could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties, and other factors that might cause such differences include the risks, uncertainties and other factors identified in Fannie Mae’s filings with the U.S. Securities and Exchange Commission. Fannie Mae’s execution of the Framework is subject to the risk that Fannie Mae will be unable to execute its strategy because of economic, market or competitive conditions or other factors. Fannie Mae does not undertake any obligation to publicly correct or update any forward-looking statement if Fannie Mae later becomes aware that such statement is not likely to be achieved. Please consult any further disclosures Fannie Mae makes on related subjects in reports to the U.S. Securities and Exchange Commission.