

# Activities to Support Financing of Energy Efficient Homes

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## Freddie Mac's Mission

# A *better* Freddie Mac

...and a *better* housing finance system

### For families

...innovating to improve the liquidity, stability and affordability of mortgage markets

### For customers

...competing to earn their business

### For taxpayers

...reducing their exposure to mortgage risks

# Duty to Serve Overview

The Housing and Economic Recovery Act of 2008 established for the GSEs a duty to serve very low-, low- and moderate-income families in three historically underserved markets:



## Manufactured Housing

Titled as

- **Real property** -- resident finances the unit structure and the land together
- **Personal property** -- resident finances the unit structure without owning the land



## Rural Housing

### Regions

- Middle Appalachia
- Lower Mississippi Delta,
- Colonias – located in Arizona, California, New Mexico and Texas

### Populations

- Members of a federally recognized Native American tribes
- Agricultural workers



## Affordable Housing Preservation

- Financing of single-family **energy efficiency** improvements on first lien mortgages.
- Affordable homeownership preservation through **shared equity** programs administered by nonprofits, or state or local governments.



Each year, the Federal Housing Finance Agency is required to evaluate and rate each Enterprise's performance in each underserved market and report the results to Congress.

# Affordable Housing Preservation

## Energy Efficiency – Strong Focus Now

- Low- to mid-income markets face a disproportionate energy burden
- Many challenges prevent communities from taking advantage of energy efficiency
- Low- to mid-income assistance funds shrinking while the needs are growing
- Serving low-income populations with effective programs/initiatives is critical



# Energy Efficiency Financing

Financing of Energy or Water Efficiency Improvements on Single-Family Properties in Support of Affordable Housing

# Affordable Housing Preservation

## Energy Efficiency

- Freddie Mac supports the energy efficiency market as a way to preserve home affordability
- We currently support this market by
  - Purchasing mortgages on properties with energy efficiency features
  - Allowing lenders to use energy efficiency to compensate for higher debt-to-income ratios
  - Permitting cash-out refinance transactions that allow borrowers to
    - make energy efficiency improvements
    - pay off existing unsecured debt obligations
    - pay off property assessed clean energy (PACE) loans
- Our focus is to support financing of single-family energy efficiency improvements on first lien mortgages that support
  - Reduction of energy or water consumption by <15%
  - Utility savings over the improvement's expected life exceeding the cost of installation

# Single-Family Energy Efficiency

Energy or water efficiency improvements on first-lien, single-family homes

Freddie Mac  
will:

- Conduct research on the impact of energy efficiency improvements on property values and loan mortgage performance; publish white paper
- Design new or improved product flexibilities
- Develop valuation guidance and data collection mechanisms to account for energy-efficient features

## Challenges:

- Lack of property-level data
- Difficult to assess value of energy-efficient properties
- Limited awareness about energy efficiency benefits and financing products available



# Single-Family Energy Efficiency

## Outreach

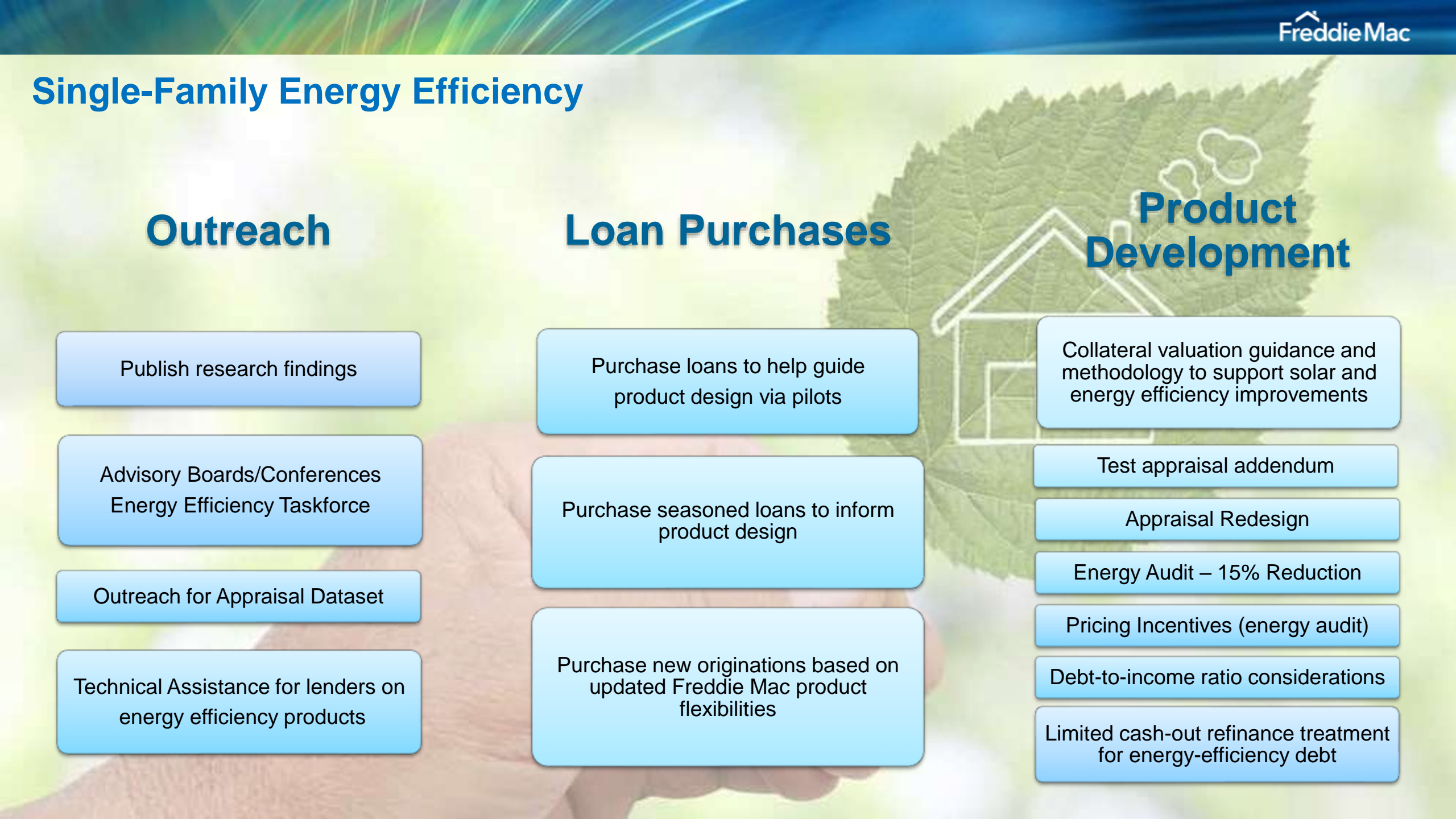
- Publish research findings
- Advisory Boards/Conferences  
Energy Efficiency Taskforce
- Outreach for Appraisal Dataset
- Technical Assistance for lenders on energy efficiency products

## Loan Purchases

- Purchase loans to help guide product design via pilots
- Purchase seasoned loans to inform product design
- Purchase new originations based on updated Freddie Mac product flexibilities

## Product Development

- Collateral valuation guidance and methodology to support solar and energy efficiency improvements
- Test appraisal addendum
- Appraisal Redesign
- Energy Audit – 15% Reduction
- Pricing Incentives (energy audit)
- Debt-to-income ratio considerations
- Limited cash-out refinance treatment for energy-efficiency debt





# Affordable Housing Preservation

## Energy Efficiency - Summary

- Freddie Mac understands the energy efficiency needs of the low- to mid-income markets
- Energy efficiency initiatives
  - present potential for savings, job creation, improvements in health and safety and community reinvestment
  - will help preserve home affordability
- We're committed to providing support through
  - research
  - enhanced product flexibilities
  - improved efficiencies

# Thank You

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# Questions?

