Fannie Mae®

Multifamily Selling and Servicing Guide

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403.02 Implementing Efficiency Measures

403.02A Generally

☑ Requirements

After the Borrower selects the Efficiency Measures, you must:

- Include the selected Efficiency Measures on the Addendum to Schedule 6 to the applicable
  - Modifications to Multifamily Loan and Security Agreement (Green Mortgage Loan) (Form 6241), or
  - Modifications to Multifamily Loan and Security Agreement (Green/Solar Mortgage Loan) (Form 6264).
- Add the Addendum to Schedule 6 to the applicable:
  - Completion/Repair Schedule; or
  - Rehabilitation Work Schedule to the Rehabilitation Reserve Agreement.
- Describe each Efficiency Measure in enough detail to ensure that any specific products or equipment are installed, including quantities and applicable performance specifications.
- Ensure funds to complete the selected Efficiency Measures are deposited into the Completion/Repair Escrow or the Rehabilitation Reserve Account, in an amount equal to 125% of the estimated cost of all capital improvements identified by the HPB Module, HPB Report, or Technical Solar Report for the selected Efficiency Measures.
- Require all Efficiency Measures be completed in a timely manner and no later than
  - 12 months after the Mortgage Loan Origination Date, or
  - any shorter time period required by Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 404: Property Condition Assessment (PCA) for capital improvements identified as Immediate Repairs by the PCA.

403.02B Solar PV System

☑ Requirements

For a Green Rewards Mortgage Loan, if the Borrower elects to install a Solar PV System as an Efficiency Measure, you must ensure:

- All Solar PV System equipment, including energy storage, will be Borrower-owned and located on the Property.
- The Property will remain connected to the utility grid.
- The Borrower enters into an Operations and Maintenance Plan covering the Mortgage Loan term.
- The Solar PV System has a minimum manufacturer performance warranty of 25-years for the solar panels, and a minimum 10-year product warranty for:
  - solar panels;
  - inverters;
  - racking systems; and
  - batteries for energy storage.
- Roof age and condition support Solar PV System design and installation, and any roof replacement specified in the Technical Solar Report is included as an Efficiency Measure.
- A performance guaranty that covers the full term of the Mortgage Loan is required for systems over 500kW;
- Battery storage is for on-site use only and does not commit the Property to an arrangement with any utility, third-party, or off-site use.
- Outside counsel with Solar PV System experience and state-specific knowledge reviews all applicable local laws and any contracts or agreements related to the Solar PV System installation and operation.
- The Solar PV System installer has a team member or subcontractor who is NABCEP certified.

Glossary

B

Borrower	Person who is the obligor per the Note. **Synonyms** • Borrowers • Borrower's

C

Completion/Repair Escrow	Custodial Account funded on the Mortgage Loan Origination Date for Completion/Repairs or capital improvements per the Loan Documents.

Completion/Repair Schedule	The Required Repair Schedule to the Multifamily Loan Agreement (Form 6001 series) and the applicable parts of the Multifamily Loan Agreement, or other Fannie Mae-approved agreement, evidencing:
	• the Borrowers agreement to
	  - fund the Completion/Repair Escrow, and
	  - perform Completion/Repairs; and
	• Completion/Repair Escrow disbursement terms.
	
	Synonyms
	• Completion/Repair Schedules

Completion/Repairs	Repairs or capital item replacements and deferred maintenance:
	• identified per the Property Condition Assessment; and
	• required per the
	  - Completion/Repair Schedule, or
	  - Completion/Repair Agreement.
	
	Synonyms
	• Completion/Repair

E

Efficiency Measures	Energy- and water-efficiency measures that the Borrower agrees to implement per the Multifamily Loan Agreement to qualify as a Green Rewards Mortgage Loan, and which project a reduction in the Property's annual energy or water consumption. **Synonyms** • Efficiency Measure

G

Green Mortgage Loan	Mortgage Loan secured by a Property that incorporates features expected to have a positive environmental outcome including, but not limited to, reducing energy and water consumption at a Property, generating energy, or meeting criteria set by a third-party green building certification organization. **Synonyms** • Green Mortgage Loans
Green Rewards Mortgage Loan	Mortgage Loan secured by a Property where the Borrower agrees to undertake 1 or more Energy- and Water-Efficiency Measures that comply with Part III, Chapter 4: Green Mortgage Loans, Section 403: Green Rewards Mortgage Loans. **Synonyms** • Green Rewards Mortgage Loans • Green Rewards
Guaranty	Payment Guaranty, Non-Recourse Guaranty, or other guaranty by a Guarantor for the Mortgage Loan.
Guide	Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise. **Synonyms** • DUS Guide



H

High Performance Building Module	PCA High Performance Building Module assessing cost effective opportunities to increase a Propertys energy and water efficiency and reduce costs. **Synonyms** • HPB Module
HPB	High Performance Building

I

Improvements	Buildings, structures, improvements, and alterations, including the multifamily housing dwellings, now or hereafter constructed or placed on the Property, including all fixtures (as defined in the UCC). **Synonyms** • Improvements'

L

Lease	Written agreement between an owner and the tenant of a Property stipulating the conditions for possession and use of real estate for a specified period of time and rent. **Synonyms** • Leases

M

Mortgage Loan	Mortgage debt obligation evidenced, or when made will be evidenced, by • the Loan Documents, or • a mortgage debt obligation with a Fannie Mae credit enhancement. **Synonyms** • Mortgage Loans • Mortgage Loan's

Mortgage Loan Origination Date	Date you fund a Mortgage Loan to the Borrower. **Synonyms** • Mortgage Loan's Origination Date • Origination Date

O

Operations and Maintenance Plan	Required plan for remediating a Recognized Environmental Condition or Business Environmental Risk as described in Environmental Due Diligence Requirements (Form 4251). **Synonyms** • O&M • O&M Plan • O&M Plans

P

Property	Multifamily residential real estate securing the Mortgage Loan, including the • fee simple or Leasehold interest, • Improvements, and • personal property (per the Uniform Commercial Code). **Synonyms** • Properties • Property's
Property Condition Assessment	Assessment of the Property's physical condition and historical operation. **Synonyms** • PCA • PNA • Physical Needs Assessment • PCAs

R

Rehabilitation Reserve Account	Custodial Account established by the Lender and funded by deposits from the Borrower per the Rehabilitation Reserve Agreement to fund the Rehabilitation Work.
Rehabilitation Work	Aggregate repairs, replacements, or improvements (including all Completion/Repairs) required to be performed and completed within a specified time period after the Mortgage Loan Origination Date for a Moderate Rehabilitation Property.
Replacements	Capital item replacements and major maintenance needs identified by the Property Condition Assessment or otherwise required. **Synonyms** • Replacement

S

Security	MBS, PFP MBS, or REMIC. **Synonyms** • Securities
Solar Photovoltaic System	A renewable energy system located on the Property that converts sunlight into electricity and/or a battery storage system containing lithium ion batteries or equivalent technology capable of storing electricity received from the electric grid or a renewable energy system and delivering stored electricity to the Property. **Synonyms** • Solar PV System