Fannie Mae®

# Multifamily Selling and Servicing Guide

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# Section 403 Green Rewards Mortgage Loans

## 403.01 Eligibility

### 403.01A Generally

☑ Requirements

For a Green Rewards Mortgage Loan Property to be eligible, you must ensure:

- the Property has at least 12 months of Stabilized Residential Occupancy;
- the Borrower selects Efficiency Measures from the HPB Module or HPB Report projected to result in an annual reduction for the whole Property of at least 30% in combined energy and/or water consumption of which at least 15% must be attributable to savings in energy consumption; and
- for a Manufactured Housing Community,
  - the 15% energy consumption savings is achieved only through the installation of a Solar PV System or other renewable energy system,
  - all Efficiency Measures, including the Solar PV System, are made only to Borrower-owned property,
  - electricity is metered at the whole Property level (master-metered) by the utility to the Property owner (even if reimbursed by the tenants), and
  - the energy or water consumption reduction is based only on utilities that are metered at the whole Property level (master-metered).

Energy consumption savings may represent reductions in whole-Property consumption of energy supplied by utilities or energy suppliers (including delivered energy such as fuel oil or propane) compared to the previous 12-month baseline through a combination of the installation of an onsite renewable energy system and energy efficiency measures.

### 403.01B HPB Module, HPB Report, and Technical Solar Report Scoring

☑ Requirements

You must score each HPB Module, HPB Report, and Technical Solar Report per the following 3-point system:

| Score | Quality of HPB Module, HPB Report, and Technical Solar Report |
|---|---|
| 1 | Either you or Fannie Mae may approve as is. No further corrections. |
| 2 | The consultant must address minor issues or clarify content before you or Fannie Mae approve it. Minor corrections. |
| 3 | The consultant must make major changes or multiple revisions before you or Fannie Mae approve it. Substantial issues. |

The final HPB Module, HPB Report, and Technical Solar Report must be scored as a "1" before you approve the report or submit it to Fannie Mae for approval, if required.

## 403.01C HPB Module, HPB Report, and Technical Solar Report Approval

### Requirements

You must submit an HPB Report or HPB Module to Fannie Mae for approval if:

- you have delivered less than 8 Mortgage Loans that included an HPB Report (or a PCA Report containing an HPB Module); or
- your HPB Consultant has not been designated as Pre-Qualified by Fannie Mae at https://multifamily.fanniemae.com/financing-options/green-financing.

Before Rate Lock, you must submit any Technical Solar Report to Fannie Mae for approval.

### Operating Procedures

If Fannie Maes approval of an HPB Module, HPB Report, or Technical Solar Report is required, you must:

- Submit in DUS Gateway, per the Green Mortgage Loan Job Aid, the
  - HPB Module or HPB Report and Form 4099.H, or
  - Technical Solar Report and Form 4099.I.
- Follow this submission timing:
  - For the HPB Module or HPB Report,

- at least 5 days before Rate Lock, if not using the Streamlined Rate Lock option, or
- at least 10 days before the Mortgage Loan Origination Date, if using the Streamlined Rate Lock option.

- For the Technical Solar Report, at least 10 days before Rate Lock.

### 403.01D Non-Contiguous Parcels

☑ Requirements

For a Mortgage Loan secured by Non-Contiguous Parcels, a separate HPB Module, HPB Report, or Technical Solar Report is required for each Collateral Record in C&D.

## 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.

## 403.03 Underwritten NCF

### Requirements

You must ensure that the Underwritten NCF for a Green Rewards Mortgage Loan is calculated per Part II, Chapter 2: Valuation and Income or the applicable Part III Chapter.

For any Green Rewards Mortgage Loan where the Borrower elects to install a Solar PV System as an Efficiency Measure, the Underwritten NCF must include all new or increased operating expenses associated with the Solar PV System, such as:

- Operations and Maintenance Plan fees;
- real estate taxes;
- property and liability insurance;
- utility fees; and
- replacement reserves.

### Guidance

You may include projected energy and water cost savings from implementing selected Efficiency Measures when calculating Underwritten NCF, up to:

- 75% of any cost savings projected to accrue to the Borrower; plus
- 25% of any cost savings projected to accrue to the tenants, but only if the projections are based on whole-Property or sampled (not modeled) consumption as defined by Form 4099.

## 403.04 Maximum Amount

### Requirements

The maximum amount of a Green Rewards Mortgage Loan that includes projected cost savings in the Underwritten NCF must not exceed 105% of the Mortgage Loan amount based on the Underwritten NCF excluding the projected cost savings.

## 403.05 Supplemental Mortgage Loans

### Requirements

You must base the maximum Green Rewards Supplemental Mortgage Loan amount on the aggregate UPB of all Pre-Existing Mortgage Loans secured by the Property, plus the amount of the Green Rewards Supplemental Mortgage Loan.

### Guidance

Certain Green Rewards Supplemental Mortgage Loans may not count toward the limit on the number of Supplemental Mortgage Loans (see Part III, Chapter 13: Supplemental Mortgage Loans, Section 1302: Supplemental Mortgage Loans).

# Glossary

## B

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| Borrower | Person who is the obligor per the Note.<br><br>**Synonyms**<br>• Borrowers<br>• Borrower's |

## C

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|---|---|
| Collateral | Property, Personal Property, or other property securing a Mortgage Loan. |
| 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:<br>• the Borrowers agreement to<br>  - fund the Completion/Repair Escrow, and<br>  - perform Completion/Repairs; and<br>• Completion/Repair Escrow disbursement terms.<br><br>**Synonyms**<br>• Completion/Repair Schedules |
| Completion/Repairs | Repairs or capital item replacements and deferred maintenance:<br>• identified per the Property Condition Assessment; and<br>• required per the<br>  - Completion/Repair Schedule, or<br>  - Completion/Repair Agreement.<br><br>**Synonyms**<br>• Completion/Repair |

# D

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| Delivery | Submission of all correct, accurate, and certifiable documents, data, and information with all applicable documents properly completed, executed, and recorded as needed, and any deficiencies resolved to Fannie Maes satisfaction.<br><br>**Synonyms**<br>• Deliver<br>• Delivered<br>• Deliveries |
| DUS | Delegated Underwriting and Servicing |
| DUS Gateway | Multifamily pre-acquisition system, or any successor systems, recording deal registration, Pre-Review and/or waiver tracking, Mortgage Loan Commitments, and decision records. |

# E

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| 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.<br><br>**Synonyms**<br>• Efficiency Measure |

# G

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| 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.<br><br>**Synonyms**<br>• 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.<br><br>**Synonyms**<br>• Green Rewards Mortgage Loans<br>• 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.<br><br>**Synonyms**<br>• DUS Guide |

# H

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

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|---|---|
| HPB | High Performance Building |

## I

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| 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).<br><br>**Synonyms**<br>• Improvements' |

## L

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| 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.<br><br>**Synonyms**<br>• Leases |

## M

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|---|---|
| Manufactured Housing Community | Residential real estate development with lots on which manufactured homes are located, together with amenities, utility services, landscaping, roads, and other infrastructure.<br><br>**Synonyms**<br>• Manufactured Housing Property<br>• MH Community<br>• MH Community's<br>• MH Communities<br>• MHC |

| | |
|---|---|
| Mortgage Loan | Mortgage debt obligation evidenced, or when made will be evidenced, by<br>• the Loan Documents, or<br>• a mortgage debt obligation with a Fannie Mae credit enhancement.<br><br>**Synonyms**<br>• Mortgage Loans<br>• Mortgage Loan's |
| Mortgage Loan Origination Date | Date you fund a Mortgage Loan to the Borrower.<br><br>**Synonyms**<br>• Mortgage Loan's Origination Date<br>• Origination Date |
| Multifamily Committing and Delivery System | Electronic committing and delivery system used for issuing and confirming Commitments for acquiring Mortgage Loans, or any such successor system.<br><br>**Synonyms**<br>• C&D<br>• Multifamily Committing and Delivery Systems |

## N

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|---|---|
| Net Cash Flow | At underwriting or for any specified period, the amount calculated per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis and the applicable products and features in Part III.<br><br>**Synonyms**<br>• NCF |
| Non-Contiguous Parcels | Multiple parcels of land securing a Mortgage Loan that do not share common boundaries or that are separated by dedicated or private streets that are major arterials.<br><br>**Synonyms**<br>• Non-Contiguous Parcel |

# O

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| 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).<br><br>**Synonyms**<br>• O&M<br>• O&M Plan<br>• O&M Plans |

# P

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|---|---|
| PCA Report | Property Condition Assessment Report documenting the findings of a PCA. |
| Pre-Existing Mortgage Loan | Multifamily residential real estate loan secured by Liens against the Property having higher priority than the Lien securing the Subordinate Loan purchased by Fannie Mae.<br><br>**Synonyms**<br>• Pre-Existing Mortgage Loans |
| Property | Multifamily residential real estate securing the Mortgage Loan, including the<br>• fee simple or Leasehold interest,<br>• Improvements, and<br>• personal property (per the Uniform Commercial Code).<br><br>**Synonyms**<br>• Properties<br>• Property's |

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| Property Condition Assessment | Assessment of the Property's physical condition and historical operation.<br><br>**Synonyms**<br>• PCA<br>• PNA<br>• Physical Needs Assessment<br>• PCAs |

# R

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| Rate Lock | Agreement between you and the Investor containing the terms of the Lender-Arranged Sale or Multifamily Trading Desk trade of the Mortgage Loan and the MBS terms and conditions relating to the underlying MBS, if applicable, which may be documented via a recorded telephone conversation.<br><br>**Synonyms**<br>• Rate Locks |
| 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. |
| Replacement Reserve | Custodial Account the Borrower funds during the Mortgage Loan term for Replacements.<br><br>**Synonyms**<br>• Replacement Reserves |

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| Replacements | Capital item replacements and major maintenance needs identified by the Property Condition Assessment or otherwise required.<br><br>**Synonyms**<br>• Replacement |

## S

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| Security | MBS, PFP MBS, or REMIC.<br><br>**Synonyms**<br>• 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.<br><br>**Synonyms**<br>• Solar PV System |
| Stabilized Residential Occupancy | Percentage of Property units physically occupied by Qualified Occupants, per Part II, Chapter 1: Attributes and Characteristics, Section 107.02: Qualified Occupants as adjusted for the applicable Part III products and features. |
| Supplemental Mortgage Loan | Mortgage Loan purchased by Fannie Mae that is subordinated to, and has a Mortgage Loan Origination Date after, the Senior Mortgage Loan that is also owned by Fannie Mae.<br><br>**Synonyms**<br>• Supplemental Mortgage Loans |

## U

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| UPB | Unpaid Principal Balance |

**Synonyms**
- UPBs