

FHA AND FANNIE MAE ANNOUNCE GREEN REFINANCE PLUS TO PAY FOR ENERGY-EFFICIENT UPGRADES IN AFFORDABLE APARTMENT BUILDINGS

Energy Improvement Finance Program for Older Affordable Housing Developments

WASHINGTON – U.S. Housing and Urban Development Secretary Shaun Donovan today announced ***Green Refinance Plus***, a program between HUD's Federal Housing Administration (FHA) and Fannie Mae to allow owners of existing affordable rental housing properties to refinance into new mortgages that include funding for energy- and water-saving upgrades, along with other needed property renovations.

Under the program, FHA and Fannie Mae will share the risk on loans to refinance existing rent-restricted projects while permitting owners to borrow additional funds to make energy-saving improvements to their properties.

Donovan and Fannie Mae's Executive Vice President for Multifamily Business Ken Bacon unveiled the program at a senior housing development in the San Francisco Bay Area where HUD is investing in energy-saving green retrofits.

"All across the country, owners of affordable housing properties are looking for a way to refinance their mortgages and to make energy improvements and other needed renovations at the same time," said Donovan. "This program kills two birds with one stone – it preserves our affordable rental stock and it helps finance upgrades that will save energy and money over the long haul. We must make the smart investments in a more energy independent economy. These investments will strengthen our economy, create the new industries and new jobs of the future and reduce our dependence on an ever fluctuating oil market. "

Bacon added, "*Green Refinance Plus* supports Fannie Mae's ongoing commitment to creating a more sustainable rental housing market that is affordable to low- and moderate-income families. This program will provide more renters with renovated apartments in which to live, allow building owners to better manage their energy costs, and help communities by reducing the environmental footprint of our rental properties. Leveraging existing technology and expertise to bring proven energy and cost savings to rental housing is a win for everyone."

California Congressman Pete Stark said, "Today's event highlights an exciting new refinancing opportunity for owners of affordable housing to make energy- and water-saving upgrades. It's appropriate that the *Green Refinance Plus* program is being unveiled by Secretary Donovan at the Eden Issei Terrace in Hayward, in the heart of a community poised to help propel our country's clean, green energy economy."

Approximately every 10-to-15 years, owners of existing multifamily affordable properties typically refinance their mortgages. In older apartment buildings, however, owners are hard-pressed to find additional financing to maintain or improve the physical condition of their properties, including making energy-efficient upgrades. Beginning next month, Fannie Mae and its participating lenders will begin accepting applications to refinance owners' debt as well as improve the energy efficiency of their properties.

Green Refinance Plus is intended to refinance the expiring mortgages of Low Income Housing Tax Credit and other affordable projects and to lower annual operating costs by reducing energy consumption. Fannie Mae and HUD anticipate approximately \$100 million in initial refinance volume with an average loan amount of \$3.5 to \$5 million. FHA will insure up to an additional four-to-five percent of the loan amount, or an average of approximately \$150,000 to \$250,000 per loan, to provide additional loan funds to pay for i) property improvements that save energy and water costs

for owners and tenants, such as energy efficient windows and ENERGY STAR appliances, as well as ii) other needed property renovations.

Property owners will be able to select the energy- efficiency upgrades that make the most economic sense for their properties. Borrowers will obtain a "Green Physical Needs Assessment" completed by a qualified provider. This assessment identifies property improvements that both reduce energy and operating costs and will help borrowers make rehabilitation choices that will give them the greatest energy savings for their investment.

Green Refinance Plus is an enhancement of the Fannie Mae/FHA Risk-Share program, begun in the 1990s. It will provide funding for the refinance, preservation and energy-efficient retrofits of older affordable multifamily housing properties, including those that are currently in Fannie Mae's or FHA's portfolios. This program allows for lower debt service coverage and higher loan-to-value ratios, to generate extra loan proceeds for property rehab and energy-efficient retrofits.

Read more about FHA/Fannie Mae's *Green Refinance Plus* Program.

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HUD's mission is to create strong, sustainable, inclusive communities and quality affordable homes for all. HUD is working to strengthen the housing market to bolster the economy and protect consumers; meet the need for quality affordable rental homes; utilize housing as a platform for improving quality of life; build inclusive and sustainable communities free from discrimination; and transform the way HUD does business. More information about HUD and its programs is available on the Internet at www.hud.gov and espanol.hud.gov.