United States Senate

September 23, 2024

VIA ELECTRONIC DELIVERY

The Honorable Sandra Thompson
Director
Federal Housing Finance Agency
400 7th Street SW
Washington, D.C. 20024

Dear Director Thompson:

We are writing to urge the Federal Housing Finance Agency (FHFA) to phase in a minimum energy efficiency standard for Enterprise-backed mortgages on new homes. Such a standard would save homeowners and renters money and make the housing market more consistent and stable. When asked at a hearing of the U.S. Senate Committee on Banking, Housing, and Urban Affairs last April, you indicated an intention to make a decision about this potential action on or about the end of the second quarter. As we are now rapidly approaching the end of the third quarter, we respectfully request an update on your intended timeline for a decision and for the Enterprises to begin implementation.

FHFA has the opportunity to match or exceed the standards recently adopted by the Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA) for their residential mortgage programs. This action would support consistency and further the expansion of resilient, energy-saving construction practices across the housing market.

Your authority to take this action is clear from Public Law 110-289, the Housing and Economic Recovery Act of 2008,[1] as well as from other actions FHFA and the government-sponsored enterprises have undertaken in alignment with their missions and obligations. Freddie Mac's research has found that energy efficiency improvements can reduce risks associated with mortgage-backed securities, in part due to better resale values.[2] Research also suggests that during major economic disruptions, energy efficiency may reduce mortgage defaults.[3]

[1] https://www.fhfa.gov/sites/default/files/2023-02/GPO_Authenticated%20HERA.pdf
[2] https://sf.freddiemac.com/docs/pdf/fact-sheet/energy_efficiency_white_paper.pdf
[3] https://imt.org/resources/home-energy-efficiency-and-mortgage-risks/

Aligning new home energy standards with updated model codes will save money for homeowners and renters across the country. HUD and USDA found that the increased initial costs of construction are more than made up for by lower monthly energy costs. For a typical home purchased with a 30-year mortgage, energy bill savings more than make up for small increases to down payments and monthly mortgage payments.[4] High-performance homebuilders and multifamily property developers in diverse markets have found the incremental up-front costs of at- or above-code performance to be closer to 1% or, in some cases, negative.[5,6]

Beyond these financial benefits, updated codes help save lives by protecting families from the impacts of extreme weather events, particularly utility outages during heat waves and cold snaps.[7] Updated energy codes can also yield better indoor air quality and reduce exposure to pollutants that can have negative health impacts including asthma, heart disease and lung cancer.[8]

This year is an ideal time for FHFA to make these changes. The Bipartisan Infrastructure Law and Inflation Reduction Act provided over $1.2 billion of federal funding to help states and localities update their building codes.[9,10] Already, multiple state and local governments, as well as HUD and USDA have adopted the updated building codes.

When energy codes raise the floor on building performance, 45L tax incentives for builders to achieve certifications – such as ENERGY STAR® for Residential New Construction and Zero-Energy Ready Homes (ZERH) – frequently mean that the smartest path for developers is to build to these higher standards. ZERH homes use about 40% less energy than a typical home,[11] opening the door to Greenhouse Gas Reduction Fund financing,[12] green MBS opportunities, and – most importantly – even cleaner air, lower bills, and more secure housing for households nationwide. If FHFA also requires updated building codes, it will reduce or eliminate the need for developers to understand numerous different codes.

In summary, we urge you to move quickly to adopt modern energy standards for new homes utilizing Enterprise-backed mortgages to align with other federally backed housing construction, and ask you for an update on your timeline for taking this action. These standards will support a

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[4] https://www.federalregister.gov/documents/2024/04/26/2024-08793/final-determination-adoption-of-energy-efficiency-standards-for-new-construction-of-hud--and
[5] https://www.linkedin.com/feed/update/urn:li:activity:7230913095898914816/
[6] https://www.phius.org/resources/policy-work/cost-data
[7] https://www.energycodes.gov/sites/default/files/2023-07/Efficiency_for_Building_Resilience_PNNL-32727_Rev1.pdf
[8] https://www.energy.gov/eere/buildings/articles/home-rx-health-benefits-home-performance-review-current-evidence
[9] https://www.energycodes.gov/RECI
[10] https://www.energy.gov/scep/technical-assistance-adoption-building-energy-codes
[11] https://www.energy.gov/eere/articles/doe-releases-new-national-requirements-zero-energy-ready-single-family-homes
[12] https://www.epa.gov/greenhouse-gas-reduction-fund

stable, efficient housing market by reducing wasted energy, improving health outcomes, and lowering costs for both renters and homeowners across the country.

Sincerely,

Chris Van Hollen
United States Senator

Jeanne Shaheen
United States Senator

Martin Heinrich
United States Senator

Peter Welch
United States Senator

Elizabeth Warren
United States Senator

Bernard Sanders
United States Senator

Edward Markey
United States Senator

Cory A. Booker
United States Senator