

# Job Aid: Streamlined Rate Lock and Green Mortgage Loans

The Streamlined Rate Lock (SRL) option is permitted for Green Mortgage Loans, but it's not appropriate for every deal. This Job Aid (i) defines a Green SRL, (ii) reviews the indicators of whether a deal is a good fit for a Green SRL, and (iii) describes the issues that may result from a Green SRL that does not deliver to Fannie Mae as a Green Mortgage Loan.

## When is a Streamlined Rate Lock a Green Streamlined Rate Lock?

If all underwriting of the “Green” aspects of the Mortgage Loan has been finalized and approved, and the Mortgage Loan qualifies as a Green Mortgage Loan prior to Rate Lock, it is not considered a Green SRL and this Job Aid does not apply. If the underwriting of any of the “Green” aspects of the Mortgage Loan has not been finalized prior to Rate Lock, then it is a Green SRL.

- Green Rewards: the High Performance Building (HPB) Report has not been completed and approved prior to Rate Lock.
- Green Building Certification: the final Green Building Certification has not been issued and approved prior to Rate Lock.

## When is a Green SRL appropriate?

**The Green SRL option should be used only when the Lender is extremely certain that the deal will close as a Green Mortgage Loan.** A Green SRL should not be used to “give the Borrower more time to decide” if they will go green.

High Certainty: Green SRL may be appropriate	Low Certainty: Green SRL is not appropriate
<p align="center"><b>Green Rewards: Manage Eligibility Risk</b></p> <p align="center">Is the Property highly likely to be eligible, and is the Borrower willing to spend any amount to be eligible for Green Rewards?</p>	
<ul style="list-style-type: none"> <li>✓ Borrower has done a previous Green Rewards Mortgage Loan</li> <li>✓ Borrower is certain it wants a Green Rewards Mortgage Loan</li> <li>✓ Borrower willing to make investments needed for Green Rewards eligibility</li> <li>✓ Property has 12 months of stabilized operating data</li> <li>✓ Property is more than 5 years old and has not been recently renovated</li> <li>✓ Lender is experienced with the requirements of a Green Rewards Loan</li> <li>✓ Lender has chosen to use a pre-qualified HPB Consultant for the HPB Report</li> <li>✓ Lender knows that there are no Pre-Review items related to Green Rewards (solar installation or request to underwrite additional proceeds from energy/water savings above 5%)</li> </ul>	<ul style="list-style-type: none"> <li>✗ Borrower has never done a Green Rewards Mortgage Loan</li> <li>✗ Borrower is not sure it wants a Green Rewards Mortgage Loan</li> <li>✗ Borrower only willing to spend a limited amount on Green improvements</li> <li>✗ Property is missing some stabilized operating data</li> <li>✗ Property is less than 5 years old or has been recently renovated</li> <li>✗ Lender is inexperienced with the requirements of a Green Rewards Mortgage Loan</li> <li>✗ Lender has chosen not to use a pre-qualified HPB Consultant for the HPB Report</li> <li>✗ Lender anticipates that the Mortgage Loan would trigger Pre-Review related to Green Rewards (solar installation or request to underwrite additional proceeds from energy/water savings above 5%)</li> </ul>
<p align="center"><b>Green Building Certification: Manage Timing Risk</b></p> <p align="center">If the Green Building Certification is still in process, will it be awarded prior to delivery of the Mortgage Loan?</p>	
<ul style="list-style-type: none"> <li>✓ Borrower has operated other properties that have received a Green Building Certification</li> </ul>	<ul style="list-style-type: none"> <li>✗ Borrower has never operated a property that has attempted to obtain a Green Building Certification</li> </ul>



<ul style="list-style-type: none"> <li>✓ Lender is experienced with the requirements of a Mortgage Loan secured by a Property with a Green Building Certification</li> <li>✓ Green Building Certification organization has indicated it will issue the certification in the necessary time frame</li> </ul>	<ul style="list-style-type: none"> <li>✗ Lender is inexperienced with the requirements of a Mortgage Loan secured by a Property with a Green Building Certification</li> <li>✗ Green Building Certification is still in application or evaluation stage</li> </ul>
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### Process to rate lock a Green SRL

- All Green SRL deals must obtain Credit Fee quotes for both Green and non-Green.
- Lender should assess the certainty of loan closing using the guidance from the table above, and only proceed if high certainty exists that the Green SRL will deliver to Fannie Mae as a Green Mortgage Loan.
- For Green Rewards Mortgage Loans, in the Green Financing Data section of the Collateral tab of C&D, Lender must either (a) not upload a Form 4099.H, or (b) indicate that the uploaded Form 4099.H File Submission Type is a “Preliminary File”.
- For Mortgage Loans being secured by a Property that has not yet received its Green Building Certification, in the Short Property section of the Collateral tab of C&D, Lender must indicate “No” in “Is Green Building Certification Final?” field.

**NOTE:** A Mortgage Loan cannot be rate locked as a non-Green SRL and change to Green prior to delivery; if there is uncertainty around whether the Mortgage Loan will be able to be delivered as a Green Mortgage Loan, then a Green SRL is inappropriate.

### Relationship, reputational, and financial impacts if Green SRL does not deliver Green

If a Green SRL does not deliver to Fannie Mae as a Green Mortgage Loan, the Credit Fees revert to the non-Green quote. This change in pricing can have numerous negative impacts on Fannie Mae, the Lender, and the Borrower.

Deal proceeds as non-Green:

- Borrower will face a higher interest rate with non-Green pricing, a likely decrease in proceeds, and may owe the Investor breakage fees related to any decrease in loan proceeds beyond 5%.
- The Green Mortgage Loan will require a manual change to the Credit Fees, which is outside of Fannie Mae’s normal operating procedures and introduces additional process risk.
- The Green MBS will revert to a non-Green MBS, which may cause Investors to lose confidence in our Green MBS.

Borrower breaks trade:

- Borrower will be required to pay the full breakage fee and may be put on ACheck and/or lose the ability to use the SRL option.
- Lender may be prohibited from doing Green SRLs in the future.
- Investors count on certainty when dealing with Fannie Mae, and word in the market that MBS commitments are unwinding could possibly impact the price and/or liquidity of our MBS.



## Process for Green SRL that does not deliver a Green Mortgage Loan

- Lender must notify Fannie Mae at least 10 days prior to delivery of the Mortgage Loan to Fannie Mae.
- Lender must work with the Fannie Mae Acquisitions team to modify C&D to reflect non-Green deal terms.
- Lender must revise the Loan Agreement to reflect non-Green Mortgage Loan terms, including revising to the quoted non-Green interest rate and any required change in the loan amount.
- Borrower may owe Investor if the Delivered Mortgage Loan Amount is outside of delivery tolerances.