

Fannie Cuts Rate on 'Green' Loans

Fannie Mae has cut its interest rate for loans on "green" multi-family properties in an effort to spur production.

The agency is eager to finance energy-efficient properties as part of its mission to promote quality housing. Its program, which started three years ago, applies to apartment and cooperative properties that either are already certified as energy efficient or are scheduled to be upgraded to meet the standards.

But the volume has been disappointing — only 10 loans totaling about \$130 million through the end of last year. The problem: Competition from banks and insurance companies that are also targeting green loans.

"You could just go to a bank to get more proceeds at a more-competitive rate," said a lender who works closely with Fannie.

So Fannie has reduced the interest rate its lenders charge by 10 bp. For example, the rate on a \$10 million loan with a 10-year term is now being quoted at a 3.9% coupon, down from 4%.

Fannie expects the market to respond "very positively," said **Chrissa Pagitsas**, the agency's multi-family green initiative director. Calling energy-efficient properties "a great and secure investment," she said that Fannie views green financing as a growth area. The first loan with the rate cut is expected to close next month.

Under the program, owners can line up loans to acquire or refinance qualifying affordable and market-rate housing. Fannie points to energy-efficient properties as having lower expenses for tenants and owners, as well as higher occupancy rates and sales prices.

As an incentive for owners, the agency offers relatively high leverage. The loan-to-value ratio can range up to 85% for properties about to undergo improvements and 80% for those already certified.

Individual mortgages have ranged from \$6 million to \$32 million, although the agency is willing to go past \$100 million.

The program has three products. The first one out of the gate, Green Preservation Plus, is aimed at owners of affordable



housing that are looking to finance improvements, such as the installation of more-efficient boilers, windows and heating and cooling systems. Last year, the agency added a similar product, called NYC M-PIRE, for affordable and market-rate properties in New York City.

Also last year, the agency unveiled a product called Green Building Certification, which applies to affordable and market-rate housing that has already been awarded one of nine types of certification, including LEED or Energy Star ratings. ❖