



# **Servicer's Guide to Green Mortgage Loan Verification**

**Verifying Energy and Water Efficiency Measures for Fannie Mae Green Rewards Mortgage Loans**





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## Purpose of Verification for Green Rewards Loans

[Fannie Mae's Green Rewards Program](#) is a financing product feature that provides lower pricing, additional loan proceeds, and a free High Performance Building Report (energy and water audit) to finance smarter and greener Property improvements. Eligible improvements include new ENERGY STAR® appliances, energy efficient HVACs, WaterSense® labeled low-flow fixtures, LED lighting, solar photovoltaic (PV) systems, and more.

Verification is a one-time site inspection to ensure that all Energy and Water Efficiency Measures (EWEMs) selected by Borrowers as Green Rewards Repairs and included in the Required Repair Schedule are installed correctly in quantity and specification. Correct installation of the EWEMs helps the Property meet its goals for energy and water savings. Verification also provides an opportunity to correct any errors that occurred during the original installation and helps the Property Owner maximize its projected savings and benefits.

Servicers implement Verification Inspections for their Borrowers and submit the results to Fannie Mae using a standardized process as described here.

## Roles and Responsibilities

The table below summarizes roles and responsibilities of each stakeholder in performing EWEM Verifications for Green Mortgage Loans starting in 2021. An initial pilot phase of Servicer Verification Inspections will begin in February 2021, with expected roll out to all Servicers starting April 2021.

Role	Key Verification Activities
<b>Servicers</b>	<ul style="list-style-type: none"> <li>Review documents in advance of inspections</li> <li>Assist Inspectors with scheduling and conducting Verification Inspections</li> <li>Review the completed Inspection Form, and submit to Fannie Mae</li> <li>Conduct Verification noncompliance remediation as needed</li> </ul>
<b>Inspectors</b>	<ul style="list-style-type: none"> <li>Inspect Properties for Verification of all EWEMs as prescribed by this Verification Inspection Manual</li> <li>Gather and report cost and material specifications</li> <li>Complete the Inspection Form</li> <li>Submit the Inspection Form to the Servicer</li> </ul>
<b>Fannie Mae Green Asset Management</b>	<ul style="list-style-type: none"> <li>Define program rules and processes</li> <li>Provide pre-filled Inspection Forms to Servicers</li> <li>Receive completed Inspection Forms and perform quality control review</li> <li>Provide completed Inspection Forms to Bright Power for compilation and reporting</li> </ul>
<b>Bright Power</b>	<ul style="list-style-type: none"> <li>Develop and maintain Inspection Form</li> <li>Receive completed Forms from Fannie Mae</li> <li>Prepare monthly Verification reports</li> <li>Provide training, educational materials, and technical assistance as needed</li> <li>Conduct Green Impact Inspections for a pre-defined sample of Properties</li> </ul>



## Prior to the Verification Process

Green Rewards Borrowers agree to install EWEMs in accordance with the Required Repair Schedule (Schedule 6) to the Loan Agreement with Fannie Mae. Installations should be complete within 12 months after Mortgage Loan closing, or as otherwise specified in the Loan Agreement. Borrowers may contract with the company of their choice to implement the installations, and Fannie Mae encourages Borrowers to capitalize on local and utility incentives to complete these installations. Borrowers should track information regarding EWEM installations, including costs, quantity, and specific locations (e.g., list of units where EWEMs were installed, the cost of the installations broken out by each EWEM). While the collection of cost information, including invoices, is not required prior to Verification collection is a best practice to determine compliance and inform HPB estimates.

### Form 4099 – Instructions for Performing a Multifamily Property Condition Assessment (PCA)

Form 4099 sets forth the Instructions for Performing a Multifamily Property Condition Assessment (PCA). The Form 4099 includes additional modules necessary for a Green Rewards Mortgage Loan, including:

- High Performance Building (HPB) Report t and Appendix H – Analysis Tool for a High Performance Building Report (Form 4099.H).
- Technical Solar Assessment and Appendix I – Analysis Tool for a Technical Solar Assessment (Form 4099.I).

#### Form 4099.H

Form 4099.H is the Analysis Tool completed with the High Performance Building Report, and is required for all Green Rewards Mortgage Loans. The 4099.H analyzes the recommended EWEMs and gives estimated energy, water, and cost savings. The Borrower uses this analysis to choose EWEMs to install.

#### Form 4099.I.

Form 4099.I is the Analysis Tool completed with the High Performance Building Report for all Green Rewards Mortgage Loans that include a Solar Photovoltaic System (Solar PV System) as an EWEM.

### The High-Performance Building (HPB) Report

The HPB Report is an ASHRAE Level 2 “energy audit” that identifies and quantifies recommendations EWEMs to improve the energy and water efficiency of the Property. EWEMs are selected by the Borrower and installed at the Property per the Required Repair Schedule. Installed EWEMs are inspected during the Verification Inspection. Please refer to the HPB Report Guidelines section in this document for additional information.

### Required Repair Schedule

Schedule 6 to the Multifamily Loan and Security Agreement that specifies all Repairs required to be completed by the Borrower at the Property, including the Green Rewards Repairs selected by the Borrower for installation as part of the Green Rewards Mortgage Loan.



## The Process of Servicer-Led Verification

Servicer-led Verification is centered around a standardized Inspection Form.

**Fannie Mae Multifamily Green Inspection Form**

**INPUT: Property and Inspection Information**  
 Instructions: Enter the Fannie Mae Loan ID below. Then enter the inspection information.

**PROJECT INFORMATION**

Enter the Fannie Mae Loan ID here ↓	Property Name	
Enter the Property Linkage ID here ↓	Street Address	
	City	
	State	
	Zip	
	Origination Date	
	Original Expected EWEM Completion Date	
	Servicer	
	HPB Consultant	
	Number of Units	

**INSPECTION INFORMATION**

Name of Inspector		Total EWEMs	0
Inspection Company		Noncompliant EWEMs	0
Date of Inspection		Noncompliant EWEM %	0.00%
Date when all EWEMs were Completed		Minimum number of units to inspect	30
On-site personnel with whom I interacted		Number of units inspected	1

General Inspection Comments

Property Info | EWEMs | Tests | Photos | Unit - Print Sheet | Commons/area - Print Sheet

## The Inspection Form

Fannie Mae provides each Servicer an Inspection Form template that is an Excel file pre-filled with Property and Mortgage Loan data including EWEM data for the Servicer's Properties. The form will periodically be updated with new Property data. Fannie Mae will deliver new and updated Inspection Form templates to each Servicer, and the Servicer should use the new template and discard the old one.

After entering the loan numbers and Property linkage ID for a Property, information for that Property will populate in the Form. Servicers should provide a pre-populated version of the Form for each Property to the Inspector. The Inspector must enter data into the Form from the on-site or virtual Inspection and return a completed form to the Servicer.

## Step by Step Process Overview

1. Fannie Mae will deliver a blank Inspection Form template to each Servicer. This Form will contain a database of information for each Verification Inspection.
2. The Servicer must engage a qualified Inspector to perform the Verification Inspection after a Property has completed installation of their EWEMs.
3. The Servicer should pre-populate a copy of the Inspection Form with the Property data and provide it to the Inspector.
4. After completing the Inspection, the Inspector must give a completed Inspection Form to the Servicer for review. If the Form requires corrections, the Servicer must work with the Inspector to resolve issues before delivering to Fannie Mae.
5. After reviewing the completed Inspection Form, the Servicer must deliver the completed Form to Fannie Mae.
6. Fannie Mae will perform a quality control review of Inspection Forms, returning any incomplete Forms to the Servicer.
7. After reviewing, Fannie Mae will deliver the completed Inspection Form to Bright Power.
8. Bright Power will review the Form and perform final data checks, aggregate the Form data into a report, and deliver the data to Fannie Mae.
9. Servicers will receive notices from DUS Property Monitor regarding compliance.

## Typical Verification Timeline and Expectations

The Verification process begins shortly after the Mortgage Loan was originated. The following process is recommended for Verification.



30 days prior to EWEM Completion Date	Within 30 days of EWEM Completion Date
<ul style="list-style-type: none"> <li>• Make a copy of the Inspection Form for the Property. Enter the ID numbers to pre-populate the Form and review for accuracy</li> <li>• Confirm the Property is on schedule with the EWEMs</li> <li>• Arrange to hire an Inspector</li> <li>• Remind Borrowers to keep records of installation documentation (e.g., actual EWEM cost, location of installations, partial unit measures)</li> </ul>	<ul style="list-style-type: none"> <li>• Coordinate Inspection with Inspector and Borrower</li> <li>• Inspector completes Property Inspection and submits Inspection Form to Servicer</li> <li>• Review the Inspection Form, and submit it to Fannie Mae</li> </ul>

## Green Verification Inspection Manual

The Green Verification Inspection Manual document describes in detail how to complete a Verification Inspection. The Inspector should follow it carefully to successfully complete the Inspection.

## Hiring an Inspector

The program has two levels of Inspector qualifications corresponding to EWEMs that are denoted as either Basic or Complex. Please refer to the Green Verification Inspection Manual for a list of Basic and Complex types. The Inspection Form will also identify whether a basic or complex Inspection is required. A Property listed as “Complex” has an EWEM installation that requires additional credentials for the inspector. Complex Inspections may include HVAC or domestic hot water equipment.

BASIC	COMPLEX
For Basic EWEMs, the Inspector must meet the minimum requirements for third-party inspectors as detailed in Part V Section 502.05 (A) and (B) of <a href="#">Fannie Mae's Multifamily Selling and Servicing Guide</a> .	The same qualifications as for Basic EWEMs, <b>and ONE</b> person on the team must have the same qualifications as High Performance Building Consultants described in the Form 4099 Section 5.10-B.

You may hire or assign any qualified Inspector to perform the Verification Inspection. Provide the latest version of the Verification Inspection Manual to the Inspector on engagement.

## Create a Property's Inspection Form for the Inspector

Use the most current version of the Inspection Form. Create a copy of the file and give it the filename:

“LoanID-PropertyName-InspectionForm.xlsm”

Open this copied and blank document and enter the Loan ID and the Linkage ID into the Property Info tab. Review the Property information and the EWEMs that pre-populate into the Form. Compare the information to your other records, and make sure that it is accurate. Notify Fannie Mae Green Asset Management if:

- The Property address or information is incorrect.
- The listed EWEMs do not match what is shown on the Required Repair Schedule in the Loan Agreement and 4099.H.

## Inspecting the Property

Verification Inspections range from two to six hours depending on EWEM types and the number of units that need sampling. When the Inspector arrives at the Property, they should ask a designated site escort to show them to the EWEM installations. The Inspector must reference EWEMs specified in the Inspection Form. The Inspector must also take photos, perform observations, and ask quantitative questions throughout the Inspection. These EWEMs will either be:



- Common area or building measures; or
- In-unit measures.

Not every unit requires an Inspection. Inspectors must use the sample size criteria listed in the Form 4099 (Table 1). The Inspection Form will automatically show the required number of units to inspect, based on this Table.

**Table 1: Unit Sampling Requirements (from Table 5.08.C.4.1 in Fannie Mae Form 4099)**

Total Number of Units	Minimum Number of Units in Sample
Less than 20 units	Minimum of 3 units
21 to 99 units	10% of units, with a minimum of 5 units
100 or more units	5% of units, with a minimum of 10, but a maximum of 30 units

Installations often include **partial unit measures**. An installation is a partial measure if it was recommended to be installed in some, but not all, units (e.g., Install 10 new ENERGY STAR® dishwashers in a Property with 80 units). Partial unit measures are often high-efficiency toilets or appliances.

It is critical for Borrowers to track partial unit measures and which units received the installed measure. For partial measures, the Verification Inspection should only be conducted in units that received the installations. Inspectors should request a rent roll or other documentation from the Property Owner to identify units that received partial measures. The Borrower does not get to choose which units will be inspected. If Borrowers or Property staff do not provide information about partial unit measures, then the Property cannot proceed with the Verification Inspection.

## Covid-19 Inspection Protocols

While Covid-19 continues to be a public safety threat, Fannie Mae has issued Supplement 20-14 to the Fannie Mae Multifamily Selling and Servicing Guide requiring the following changes to Verification Inspections until further notice:

- “Virtual” Inspections will be allowed until a to-be-determined date.
  - A “virtual” inspection does not include a site visit, but includes a combination of live video calls, photographs, and installed equipment documentation.
  - The same information is required to be obtained by the Inspector, to complete the Inspection Form.
- Any Inspector that visits a Property must follow personal-protective-equipment best practices and follow all local ordinances. They should wear appropriate masks at all times, make efforts to not spend more time indoors than necessary, and ‘social distance’ at all times.
- Only Property staff are allowed inside occupied units. No outside Inspector is allowed in occupied units. When photographs are required of in-unit EWEMs, the Inspector must coordinate with the Property staff to either have a Property staff take the photo, or have the tenant take the photo.

## Review and Submit the Inspection Form to Fannie Mae

The Servicer must review the completed Inspection Form provided by the Inspector. Confirm that:

- All required fields are complete. Incomplete required fields will show as “yellow”;
- All required photos have been provided; and



- The minimum number of units were inspected. This is shown on both the Property Info tab and the Observations tab of the Inspection Form. Ensure there are no typos or numbers/phrases that look like errors.

## Fannie Mae Inspection Form Review Checklist:

- Property Tab Completeness:
  - All yellow cells have been filled
  - Minimum number of units have been inspected
- EWEM Tab Completeness:
  - Nameplates
  - Actual Costs
  - Actual Dates Installed
  - Results Description
- EWEM Tab Accuracy:
  - Are install dates before Inspection, and after loan closing?
  - Are EWEM cost numbers reasonable? (Within a 3X range of the Estimated Cost)
  - Results Description - typos? Not detailed description?
- Observations Tab Completeness:
  - All yellow cells are completed:
    - Nameplates
    - Units names
    - Space Types
    - Compliant/noncompliant
- Observations Tab Accuracy:
  - How are the comments? Do they have typos?
  - Unit /Space Name review: are there any obvious naming errors? -- For example, there are more units counted than required, a unit may be named incorrectly.
- Photos Tab Completeness:
  - At least as many photos as EWEMs.
  - At least as many photos as noncompliant Observations.
- Photos Tab Accuracy:
  - Look at the Observations, and note all of the noncompliant observations.
  - Confirm that each of those observations has a photo.
- Other:
  - Gray cells are filled in by the computer.
  - Purple cells are optional.
  - Black cells do not need to be completed.
  - Green cells are automatic calculations.
  - Look for any yellow cells. A yellow cell indicates a blank cell that is required to be completed.
  - Review the "Required Units" cell. This indicates if the required number of apartment units was inspected.
  - On the EWEMs tab, review the number of observations per EWEM. Confirm that this looks appropriate.
  - Review the Pictures tab to confirm that photos have been added.

When the Servicer has determined that the Inspection Form is complete and error-free, the Servicer should send it to Fannie Mae at:

- [Green\\_inspections@fanniemae.com](mailto:Green_inspections@fanniemae.com)

Fannie Mae will record the receipt of the Inspection Form and review. If any omissions or errors are found, Fannie Mae will return the Inspection Form to the Servicer for corrections.





## Quality Control of Verification Forms

After Servicers submit their completed Inspection Forms to Fannie Mae via email and Fannie Mae reviews the data, Fannie Mae submits the Inspection data to Bright Power. Both Fannie Mae and Bright Power will perform checks similar to that of the Servicers:

- All required fields are complete.
- All number fields contain only numbers, and all text fields contain text.

Additionally, Fannie Mae and Bright Power will verify:

- Observed values fall within the range of expected values. For instance, one would not expect to see a 15 GPM faucet aerator, but one would expect to see a 1.5 GPM faucet aerator.
- Spot check of observation descriptions to check for comprehensibility.

## Site Visit Results

Fannie Mae will share final Inspection results with the Servicer through **DUS Property Monitor™**. This tool allows Servicers to access the outcome of all completed Property Inspections. Servicers must communicate compliance status to their Borrowers within 10-15 days.

## EPA WaterSense® Specification

WaterSense® is an official EPA program designed to expand adoption of low-flow fixtures to cut water consumption. HPB consultants should recommend WaterSense fixtures for bathroom faucets/aerators, showerheads, and toilets. There is no WaterSense standard for kitchen aerators and faucets.

Other importance guidance regarding HPB Reports:

- Because there are no widely available 1.0 GPM kitchen faucets available, HPB consultants are highly discouraged from recommending these.
- For bathroom and kitchen aerators, HPB consultants must recommend replacements for both aerator housing and aerator inserts. If the housing is not replaced, it will be difficult to verify the correct installation of the aerator. **Aerator inserts are not acceptable.**
- Aerators and faucets are required to have a visible gallons-per-minute specification on the equipment. The Inspector should not perform any flow-rate testing.

## Property Noncompliance and Remediation Process

Fannie Mae wants Green Rewards Borrowers to experience the benefits, including reduced consumption and cost savings, of their Green Rewards Mortgage Loan with correctly installed and properly functioning EWEMs.

During the Verification Inspection, the Inspector is required to take photos of each type of noncompliant equipment and provide an observation description.

EWEMs are noncompliant if any of the following are true:

- The EWEMs do not function as intended;
- The wrong EWEM was installed;
- The EWEMs were not installed properly; OR
- The EWEMs were removed after installation.



**Table 2: EWEM Compliance Guidance**

<b>EWEM Type</b>	<b>Compliance Determinations</b>
<b>Water Fixtures</b>	<ul style="list-style-type: none"><li>• Inspectors should determine compliance for each EWEM by visually observing a nameplate with the required specification.</li><li>• Flow-rate testing should not be performed for water EWEMs. Inspectors may ask the Property for supporting information, such as the product box and informational sheets, when compliance cannot be determined.</li><li>• An in-unit water EWEM is compliant if 75% or more of the observed fixtures are compliant.</li></ul>
<b>Lighting</b>	<ul style="list-style-type: none"><li>• The Inspector should visually inspect lighting measures. Inspectors may request packaging, product boxes, or invoices when compliance cannot be determined through visual inspection.</li><li>• In-unit lighting is compliant if the observations show 75% compliance or more.</li><li>• Common area lighting is compliant if the observations show 90% compliance or more.</li></ul>
<b>All Other Measures, Including Toilets &amp; Appliances</b>	<ul style="list-style-type: none"><li>• All equipment must be visually inspected to confirm compliance with the Required Repair Schedule.</li><li>• The following installations require 90% compliance:<ul style="list-style-type: none"><li>◦ Toilets</li><li>◦ Window and wall air conditioning units</li><li>◦ Window films, and</li><li>◦ Solar screens.</li></ul></li><li>• 100% of appliance inspections must be compliant.</li></ul>



## Noncompliance Thresholds

When determining overall measure-level compliance, Fannie Mae allows a margin of error for some EWEMs. The table below provides allowable percentages for specific noncompliant measures. For example, if 6 out of 20 (30%) showerhead observations are noncompliant, Fannie Mae will deem the overall measure noncompliant.

**Table 3: Noncompliance Thresholds per EWEM type**

<b>EWEM Main Category</b>	<b>EWEM Name</b>	<b>Maximum % of Noncompliant Observations Before EWEM is Considered Noncompliant</b>
Water and Sewer Conservation	Install low-flow showerheads	25%
Water and Sewer Conservation	Install low-flow kitchen faucets	25%
Water and Sewer Conservation	Install low-flow bath faucets	25%
Water and Sewer Conservation	Install low-flow fixtures	25%
Water and Sewer Conservation	Install low-flush toilets	10%
Lighting	Upgrade in-unit lighting	25%
Lighting	Upgrade exterior lighting	10%
Lighting	Upgrade common area lighting	10%
Lighting	Upgrade whole building lighting	10%
Heating Ventilating and Air Conditioning	Replace wall/window AC	10%
Building Envelope	Add window films	10%
Building Envelope	Install or replace solar screens	10%
All Other Measures	All Other Measures	0%



## Compliance based on Low-Flow Standards

For some older Green Rewards Mortgage Loans, the Required Repair Schedule - Schedule 6 to the Multifamily Loan and Security Agreement does not specify the required flow rate. In those instances, the Property must use equipment that meets or exceeds the industry's low-flow standards. Both [EPA WaterSense](#) and [Enterprise Green Communities](#) guidelines set industry standards for common water measures.

**Table 4: Low-Flow Standards for Common Water Measures**

Equipment	Specification
Kitchen Faucets and Showerheads	2.0 Gallons Per Minute or less
Bathroom Faucets	1.5 Gallons Per Minute or less
Toilets	1.28 Gallons Per Flush or less

These specifications are often less stringent than those recommended in HPB Reports. However, they provide a good baseline for Inspections where the required flow rate was not specified.

## Special Guidance for 0.5 GPM aerators

The program previously allowed 0.5 GPM aerators, but in 2019 the program was updated and no longer allows 0.5 GPM aerators in new Green Rewards Mortgage Loans. This rule change was implemented to better align with EPA's WaterSense program, which does not certify 0.5 GPM fixtures. It was also found that these aerators often led to complaints or were removed. However, verifications may still be taking place for installations for Green Rewards loans that closed before this rule change. For these cases, use the following guidance:

If the EWEM recommendation is for a 0.5 GPM aerator:

- A 0.5 GPM aerator should be considered compliant. Despite the later rule change, the Property has followed through on their selected EWEM installation and the installation should be deemed compliant.
- A 1.0 GPM WaterSense aerator is also considered compliant, since this is now thought to produce results equivalent to a 0.5 GPM product.
- Any aerator above 1.0 GPM is not compliant.

If the EWEM recommendation is for a 1.0 GPM aerator but the Inspector observes a 0.5 GPM aerator:

- This will NOT be considered compliant, because no 0.5 GPM aerator meets WaterSense specifications.
- This is a rare instance in which installing a "more efficient" piece of equipment will cause the EWEM observation to be noncompliant. In other cases, a Property that installed equipment with higher efficiency than required will be considered compliant.

## High-Performance Building (HPB) Report Guidelines

An effective Verification process begins with Borrowers selecting EWEMs that are feasible and can be correctly installed. Borrowers should understand the recommended EWEMs in the HPB Report prior to installation to ensure that they can identify which EWEMs are ill-suited for their Property needs or are incorrectly recommended. More guidance on reviewing HPB Reports and selecting EWEMs is available on the [Fannie Mae Green Financing website](#).

Some EWEMs are no longer allowed as recommendations in HPB Reports including:



- **Smart Valves**
  - Do not produce actual verifiable water savings.
- **Under Sink Flow Restrictors**
  - Prone to leakage.
- **Non-ENERGY STAR® Certified Programmable thermostats**
  - Only smart ENERGY STAR® Certified thermostats may be recommended.
- **Leased Laundry equipment**
  - High-efficiency equipment must be purchased.

## Ongoing Compliance Requirements

EWEMs must be maintained at the Property for the life of the Mortgage Loan per the Loan Agreement. It is recommended that the Borrower inspect units upon turn to ensure removable EWEMs are intact and compliant. The Servicer is required to visually inspect a sampling of units for installation of EWEMs during regularly scheduled site inspections. Servicers may request access to maintenance storage to ensure Borrowers are stocking the correct equipment.

### *How does utility savings impact project compliance?*

An EWEM installation is compliant if the Borrower correctly installed the selected EWEMs, as determined through the Verification process described here. Green Rewards Loans are also required to report utility consumption, also known as Measurement, which allows Fannie Mae to report on program impacts, including energy and water savings. Many factors aside from EWEM installations can impact utility consumption at Properties, so a Property may be compliant even if expected utility savings are not found through Measurement. As part of Verification, Bright Power calculates “**Projected-Verified Energy and Water Savings.**” This metric helps Fannie Mae understand how installation compliance may impact savings and identify Properties with large savings impacts where a remediation is necessary to preserve program goals.

## Remediation Process

The Borrower must repair or replace an EWEM if the overall noncompliance percentage of that EWEM was deemed noncompliant during the Verification Inspection. Refer to the compliance thresholds listed above. The remediation process ensures that these corrections are made known, and the Borrower must conduct a whole Property Inspection to determine the total number of EWEM upgrades that need to be remediated.

Upon notice of noncompliance, the Borrower must conduct a whole Property Inspection to determine the extent of remediation that is required. In most cases, a quick estimation to determine the number of EWEM upgrades that need to be remediated can be performed by multiplying the percentage of deficiency by the number of units at the Property. For example, if during the Verification Inspection toilets were found to be 60% noncompliant, and there were 200 units at the Property, the Borrower’s whole Property Inspection would likely result in a minimum of 120 toilets that need to be remediated (60% of the 200 units).

Upon working with the Borrower, the Servicer must formulate a remediation action plan with Fannie Mae through DUS Property Monitor. A remediation action plan should address the EWEM deficiencies at the Property and provide a definitive target date for remediation completion. The target completion date should generally not be greater than 60 days after the Borrower receives the notice of deficiencies. If required, the Borrower and Servicer should coordinate another Inspection upon completion.

- **In the case that no EWEMs had an overall noncompliance rate above 50%,** review any work orders or invoices for equipment to confirm what occurred during the installation. Servicers should confirm a remediation plan with the Borrower. Upload remediation plans and supporting documentation that include a definitive remediation completion date in **DUS Property Monitor**. Invoices, photos, and certificates of completion supporting the remediation and dated after the Verification Inspection are acceptable as support to close out the deficient items.



**Note:** Not all remediation action plans require a Remediation Inspection to be performed by the Servicer. An Inspection is required in cases where a Property had at least one EWEM noncompliance rate above 50% AND an overall Property “projected-verified” savings less than 75%. Please use the export function in **DUS Property Monitor** and refer to the **“Remediation Inspection Score”** in the **“Property Inspection Findings”** tab of the export to determine if a Remediation Inspection is required.

- **If the Remediation Inspection Score is 75 or above, re-inspection is no longer required.** Provide the backup documentation upon completion to support work has been completed and request that the remediation case be closed.
- **If the Remediation Inspection Score is below 75, re-inspection is required.** Update **DUS Property Monitor** with a projected Inspection date. The case will remain open until the Remediation Inspection report has been provided and is approved by Fannie Mae.

If a Remediation Inspection Score is not available, please contact Fannie Mae at [Green\\_Am@FannieMae.com](mailto:Green_Am@FannieMae.com) for guidance.

Servicers should follow the guidelines below for the **Remediation Inspection**:

- Follow the same unit sample size used for the original Verification Inspection.
- Inspect one-third of the same units from the original Inspection and two-thirds of previously uninspected units. Units are specified in **DUS Property Monitor**.
- Inspect *all* noncompliant EWEMs, not just those with a noncompliance rate of 50% or greater.
- Only visual Inspections are required. Measuring flow rates is not required for these Inspections.

All remediation-specific questions should be directed to Fannie Mae’s Green Asset Management team.

## Green Asset Management

### Requesting Extensions

Borrowers are expected to install EWEMs within 12 months after the Mortgage Loan Origination Date or as stipulated in the Loan Agreement. If needed, Borrowers may request extensions from their Servicer on an as-needed basis.

The Servicer is delegated the authority to grant a one-time extension of up to 90 days past the original completion date for any Completion/Repairs that are Efficiency Measures which the Borrower agreed to implement to qualify as a Green Rewards Mortgage Loan. The Servicer is not delegated the authority to extend the time limit beyond 90 days.

### Post Loan-Closing Scope Modifications (Pre-Verification and Post-Verification)

Borrowers may wish to alter the scope of EWEMs committed to in the Loan Agreement before the completion due date, also known as a pre-Verification scope change. The Borrower may be required to revise the EWEMs, for example, when planned installations are not technically possible. Servicers must request approval for pre-Verification scope changes through **DUS Property Monitor**. The Servicer must also amend the Loan Agreement and have the HPB consultant revise the Form 4099.H. The updated 4099.H and a copy of the Loan Agreement Amendment must be uploaded in **DUS Property Monitor**. Scope changes may also occur after the Verification Inspection, also known as post-Verification scope changes and must also be approved in **DUS Property Monitor**. Include details on the Verification Inspection noncompliance notice provided in **DUS Property Monitor**, including date of inspection and result as well as any other important related information with your submission.

For all scope changes, both pre-Verification and post-Verification, the following documents are required to be loaded as attachments in **DUS Property Monitor** for review:

- A short narrative detailing the reason for the scope change request;
- A copy of the Loan Agreement, including the Required Repair Schedule;
- The HPB Report;
- The original Form 4099.H (Excel version);
- The revised Form 4099.H (Excel version);



- A draft version of the Loan Agreement Amendment; and
- Certification from the HPB consultant.

If the scope change request is approved, the Servicer must:

- Send the executed Loan Agreement Amendment to Multifamily Certification and Custody;
- Submit a copy to **DUS Property Monitor**; and
- Retain a copy in your Servicing File.

## Release of Escrow

As a Servicer, you manage the release of the Completion/Repair Escrow for the Green Rewards Repairs when a Borrower indicates EWEMs are installed. During the upgrade process, the Servicer may authorize the release of funds to cover the costs of the upgrades as specified in the Loan Documents. The Servicer must obtain a written request from the Borrower for which reimbursement is being sought. The request must include the specific upgrades that have been completed, including quantity, price and specification. The request should also include the cost of any labor or services performed in completing the upgrades. In general, the Servicer should follow the requirements detailed in Section 408.03E of the Multifamily Selling and Servicing Guide for escrow releases. The Servicer should also ensure that upgrade expenses are in line with the cost estimates provided by the HPB Consultant in the HPB report and in Form 4099.H. If the cost for any EWEM is largely different than what the HPB Consultant estimated, the Servicer should contact the Borrower and the HPB Consultant before releasing funds.

Although it is the decision of the Servicer whether to implement a holdback of funds of Green escrows, Fannie Mae recommends Servicers wait until a Verification Inspection has been completed and all EWEMs have been determined to be compliant based on Fannie Mae's review before releasing final Green escrows.

### **Special Note: If a Solar Photovoltaic System is among the EWEMs selected for a Green Rewards Mortgage Loan (only available for Green Rewards Mortgage Loans originated after March 9, 2020):**

- Be sure to coordinate with the outside counsel engaged by the Lender to ensure that the Borrower's installation meets the requirements set forth in the Form 6264 (Modifications to Multifamily Loan and Security Agreement Green/Solar Mortgage Loan). Solar photovoltaic systems have unique local and utility regulations which require the engagement of outside counsel.
- Like all other escrow releases, ensure that an Inspection is completed, either by a qualified engineer or as part of the Verification process.
- In addition, the Servicer must confirm commercial operation of the solar photovoltaic system prior to release of escrow. For more information on how to verify confirmation of commercial operation, please consult the outside counsel engaged by the Lender for this transaction.

## Bright Power Green Impact Inspections

Bright Power will inspect 10-20% of Properties to assist Fannie Mae with assessing the impact of the Green Rewards Program. These Inspections are conducted in addition to the Verification Inspection. This is in support of the Measurement and Verification Savings Analysis, and for back-testing regarding Fannie Mae internal controls and analysis.

Each Servicer will be provided with a list of Properties selected for Green Impact Inspections. Servicers should notify selected Borrowers that they will receive an additional Inspection and provide contact information to Bright Power for scheduling and onboarding.

The scheduling of the Green Impact Inspection may not coordinate with the scheduling of the Verification Inspection, but it will most likely be scheduled within 6 months after the Verification Inspection. Information from the Verification Inspection will help



inform the Green Impact Inspection including, but not limited to, “actual cost” of EWEMs and their installation and which units were inspected.

If a Bright Power Impact Inspection shows substantially different results from a Verification Inspection at the same Property, Fannie Mae may contact the Servicer to understand the inconsistencies. Fannie Mae will have the final determination regarding which Properties will be sampled for a Bright Power Inspection.

## Requesting Borrower Contacts

Bright Power will request Borrower contact information for Impact Inspections from Servicers. Bright Power will also ask Servicers to introduce Bright Power to Borrowers via an outreach email.

## Requesting Servicer Assistance

Bright Power may request the Servicer's assistance when attempting to contact Borrowers. Typical reasons for requesting assistance may include:

- Bright Power is unable to get a response from the contact.
- The phone number or email address provided to Bright Power is incorrect.
- The Borrower is unaware of its obligation to work with Bright Power and Fannie Mae on Measurement and Verification.
- The Borrower is unaware of Bright Power's role in the Fannie Mae Green Measurement and Verification Service and requests confirmation.

## Schedule and Host a Site Visit

Bright Power will prompt their Inspection Partner to schedule an Impact Inspection. The Inspection Partner will call the contact provided on the form. During this scheduling call, the Inspection Partner will ask for:

- Confirmation that the EWEMs were installed and the respective units.
- Mutually agreeable times for the Impact Inspection.

Bright Power and their Inspection Partner will perform the Green Impact Inspection to create data for further analysis.

## Verification Resources

In addition to this Guide, the Verification Inspection Manual is a critical resource for Inspectors. Periodic trainings and webinars are also provided by Fannie Mae and Bright Power for Servicers and Inspectors.

Fannie Mae's [website](#) also has more information for Borrowers and Servicers about Fannie Mae's Green Financing Initiatives and the Green Measurement & Verification Service. Visit Fannie Mae's Green Financing website and toggle the Green Measurement and Verification Service tab. For information regarding **DUS Property Monitor**, visit the platform [website](#).

For questions not answered in this guide or through the website, additional contact information is provided below.

- For questions related to the Green Rewards Loan process, noncompliant Inspection results, remediation action plans or Remediation Inspections, contact [Green\\_AM@FannieMae.com](mailto:Green_AM@FannieMae.com).
- For questions related specifically to the Green Rewards Verification Inspection process, contact [Green\\_Inspections@FannieMae.com](mailto:Green_Inspections@FannieMae.com).