

# Job Aid: Streamlined Rate Lock & 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 1) defines a Green SRL, 2) reviews the indicators of whether a deal is a good fit for a Green SRL, and 3) 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 SRL a Green SRL?

A SRL on a Green mortgage loan is a Green SRL if the Green aspects of the loan have not been finalized prior to Rate Lock.

- 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.
- If the Green aspects of the mortgage loan have been finalized and approved prior to Rate Lock, it is not considered a Green SRL and this Job Aid does not apply.

## When is a Green SRL appropriate?

A Green SRL 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
<b>Green Rewards: Manage eligibility risk</b>	
Is the property highly likely to be eligible, and is the borrower willing to spend any amount to be eligible for Green Rewards?	
<ul style="list-style-type: none"> <li>✓ Borrower has done previous Green Rewards loans</li> <li>✓ Borrower is certain they want a Green Rewards 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 Green Rewards loans</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 loan</li> <li>✗ Borrower is not sure they want a Green Rewards 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 Green Rewards loans</li> <li>✗ Lender has chosen not to use a pre-qualified HPB Consultant for the HPB report</li> <li>✗ Lender anticipates that the deal will trigger pre-review related to Green Rewards (solar installation or request to underwrite additional proceeds from energy/water savings above 5%)</li> </ul>
<b>Green Building Certification: Manage timing risk</b>	
If the Green Building Certification is still in process, will it be awarded prior to loan acquisition?	
<ul style="list-style-type: none"> <li>✓ Borrower has done previous Green Building Cert. loans</li> <li>✓ Lender is experienced with the requirements of Green Building Certification loans</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>✗ Borrower has never done a Green Building Cert. loan</li> <li>✗ Lender is inexperienced with the requirements of Green Building Certification loans</li> <li>✗ Green Building Certification is still in application or evaluation stage</li> </ul>



## Process to rate lock a Green SRL

- All Green SRL deals must have both a Green quote and a non-Green quote.
- Lender should assess the certainty of loan closing using the preceding table, and only proceed if there is high certainty that the Green SRL will deliver to Fannie Mae as a Green Mortgage Loan.
- Prior to rate lock of a Green SRL, Lender must add a waiver to DUS Gateway™ evidencing that the guidance of this Job Aid has been considered and that the Lender has determined that the deal is a good fit for a Green SRL.
  - Lender Delegated?: Yes
  - Sub-Category: Other
  - Description: Lender indication that deal conforms to Job Aid guidance
  - Category: Guide (other)
  - Guide (other) Comments: Green SRL
- For Green Rewards 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 Green Building Certification loans, in the Short Property section of the Collateral tab of C&D, Lender must indicate “No” in “Is Green Building Certification Final?” field.

**NOTE:** Loans cannot be rate locked as a non-Green SRL and change to Green prior to delivery; if there is uncertainty around whether the loan will be able to go Green, 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 GFee and SFee 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 GFee and SFee, which is outside of Fannie Mae’s normal operating procedures and introduces additional process risk.
- The Green mortgage loan will revert to a non-Green mortgage loan and will negatively impact Fannie Mae’s financing cap.
- 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 A-check and/or lose the ability to do SRL deals.
- 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 Green

- Lender must notify Fannie Mae at least 10 days prior to acquisition of the mortgage loan by Fannie Mae.
- Lender must work with Fannie Mae Acquisitions team to modify C&D to reflect non-Green deal terms.
- Lender must change loan agreements to reflect non-Green Mortgage Loan terms, proceeds, including moving to the quoted non-Green interest rate.
- Borrower may owe Investor if loan is outside of delivery tolerances.