

March 27, 2024

The Honorable Sandra Thompson
Director
Federal Housing Finance Agency (FHFA)
Tenth Floor, 400 Seventh Street SW
Washington, D.C. 20219

VIA ELECTRONIC MAIL

Dear Director Thompson,

The undersigned consumer and mortgage lenders write to offer our support for FHFA requiring that the Government Sponsored Enterprises (Enterprises) require mortgages for newly constructed homes are limited to those homes built to the latest building energy codes (2021 International Energy Conservation Code (IECC) or ANSI/ASHRAE/IES Standard 90.1-2019), as also proposed by the Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA).

Adopting up-to-date energy codes will reduce risk to the Enterprises and mortgage lenders and increase long-term housing affordability by reducing home energy burdens. According to [HUD and USDA](#), the codes would result in an average saving of \$14,536 in energy costs over the life of a single-family home and over \$5,000 in savings for multifamily units compared to codes from 2009 used by [over one-third of the country](#). Low-income households and households of color are [more burdened by higher energy costs](#) that are generally associated with inadequate insulation and air sealing, and outdated heating and cooling equipment, putting them at a higher risk for mortgage default. A [landmark academic study](#) found that mortgage default and delinquency risk was, on average, 32 percent higher and prepayment 20% more likely in non-energy-efficient homes after controlling for relevant factors. The codes will help reduce energy costs and harm to households, lowering the significant financial risks for the stability of the Enterprises and counterparties, such as mortgage lenders.

[HUD and USDA](#) found that there is only an additional two percent cost for homes under this proposal that, on average, pays for itself in less than three years. Once amortized, the additional monthly costs would generally be lower than the monthly energy savings. Rather than expensive retrofits to combat costly energy bills, strong energy codes at the time of construction offer the cheapest solution. While the lenders represented here have various positions with respect to addressing both climate impacts and resilience, this proposal will have the added benefit of helping to reduce emissions from the built environment, advancing both corporate and governmental commitments to prudent climate action, and increasing [survivability](#) in homes in extreme weather events.

We urge FHFA to adopt the proposal as part of its commitment to securing housing finance and promoting community investment. Collaborating with HUD, USDA, and the U.S.

Department of Veteran Affairs in this effort will contribute to cost savings for homebuyers, particularly lower-income purchasers and homebuyers of color and tenants, while protecting the financial stability of the Enterprises and mortgage lenders. We urge FHFA to adopt these efficiency standards and to consider mechanisms to reduce or counteract any impact from increased home construction costs in order to ensure low- and moderate-income borrowers receive the maximum benefits of improved energy efficiency and resilience.

Sincerely,

Amalgamated Bank

Beneficial State Bank

City First Bank

Clearwater Credit Union

Climate First Bank

Credit Human

Housing Assistance Council

Network for Oregon Affordable Housing

New England Federal Credit Union

Spring Bank

Sunrise Banks

Verity Credit Union