

November 30, 2023

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

Dear Director Thompson,

The 78 undersigned affordable housing, consumer, health, energy efficiency, environmental, and business organizations urge the FHFA to require that all mortgages for new homes backed by the Government Sponsored Enterprises (Enterprises) meet the energy code requirements currently proposed by the Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA) for their mortgage products.

Requiring new homes to meet the 2021 International Energy Conservation Code (IECC) or ANSI/ASHRAE/IES Standard 90.1-2019 energy codes would build on FHFA's strong performance in ensuring that the Enterprises address the threats of climate change to the U.S. housing finance system and invest safely and soundly in communities. Adopting the code would also allow FHFA to act in concert with other federal agencies, creating consistent energy requirements for nearly all federally backed mortgage financing. The outcome will reduce risk to the Enterprises and protect homeowners, while expanding access to affordable homeownership, addressing the racial home equity gap, and reducing home energy burdens. However, absent the new energy code, low-income households will continue to be saddled with decades of energy waste, high utility bills, and poor resilience, making housing less affordable long-term.

Home energy standards would increase household resilience to climate-driven risks. The [Federal Emergency Management Agency](#) found that by 2040 building codes will avoid \$132 billion in damage, like the destruction we have seen in so many recent storms. Building *energy* codes also increase resilience by allowing residents to safely stay in their homes for far longer during a power outage with extreme heat or cold, as well as by avoiding moisture and mold damage. A [joint 2023 study](#) by three national laboratories (PNNL, LBNL, and NREL) and the Department of Energy (DOE) found that building to the 2021 IECC would protect residents during extreme heat and cold events, reducing deaths and doubling the length of time residents can safely stay in their homes.

Home energy standards would improve resident health outcomes. Up-to-date energy codes will yield healthier indoor air quality and more comfortable homes. Exposure to indoor and outdoor air pollutants from fossil-powered home heating equipment and mold in homes can lead to [detrimental health effects](#) including increased risk of heart disease and heart attacks, stroke, COPD, lung cancer, type 2 diabetes, [lower-respiratory infections, and childhood asthma](#). By [reducing exposure to pollutants](#), updated energy codes can help mitigate disparate health impacts in the U.S.: Black people and other historically disadvantaged groups are at [higher risk of asthma](#) and associated respiratory symptoms due to living in disinvested communities with poor quality housing stock.

Home energy standards would deliver savings to residents. According to [Fannie Mae](#), utilities are one of the highest monthly homeownership costs, comparable to property taxes and home improvements, especially for first-time low-income homeowners. Black, Hispanic, and Native American households are disproportionately impacted by these costs and face [higher energy burdens](#) and rates of [energy insecurity](#). Hundreds of thousands of new homes are being built each year to outdated energy codes. These homes generally have inadequate insulation and air sealing, along with outdated heating and cooling equipment. The proposed energy code would significantly reduce energy bills and total housing costs: HUD and USDA [found](#) an average of \$14,536 life-cycle cost savings for single-family homes, \$5,266 per low-rise multifamily unit, and \$5,886 per high-rise unit compared to their current requirements.

Initial costs are small and will generate value to the homeowner. Added initial costs to meet the codes are small compared to home prices and energy savings: HUD and USDA [found](#) the cost of updating their requirements is only 2% of the average cost of a new home supported by their programs, and pays for itself in less than 3 years on average. For states with more stringent baseline energy codes, this share will be even less. Once amortized, the added monthly costs will generally be lower than the monthly energy savings. Additionally, homes built to the newest energy code are less likely to need expensive retrofits to manage increasing energy bills and future extreme weather impacts: building to a strong energy code is cheapest at the time of construction.

Home energy standards would reduce risk to the Enterprises. By lowering monthly costs, improved energy codes can ease mortgage payments. [Freddie Mac](#) found that delinquency rates for high debt-to-income ratio loans were lower for homes with energy efficiency ratings. The [University of North Carolina](#) found a much larger impact during a period of market turbulence and high delinquencies. As the climate changes, mortgage repayment rates are at risk from increasingly destructive weather events and escalating energy burdens for low-income households. The codes will help to reduce energy costs and harm to households, which can reduce the significant financial risks for the stability of the Enterprises.

Consistency between the agencies will improve effectiveness and reduce risk. Consistent requirements between FHFA, HUD, USDA, and the Department of Veterans Affairs (VA) would create a norm for new construction (at least that aimed at low- and moderate-income home buyers) as builders would likely not want to lose potential buyers. Given the collective market share of these loans (70%) and the evidence that builders can meet the code, adopting these requirements should not affect loan volume.

Builders and the Enterprises can implement the codes. The energy codes are developed by experts from around the country through an extended consensus process and are designed to be effective and achievable across the country. Multiple states and cities have [already adopted](#) the 2021 IECC or ASHRAE Standard 90.1-2019, and more states are in the code-adoption process. New federal funding is available to support builders in meeting the new codes, and tax incentives for going beyond the code. HUD and USDA have already demonstrated a compliance mechanism for mortgages, and FHFA can use its representations and warranties for this purpose.

Home energy standards would reduce emissions. Homes built to the newest energy codes will dramatically reduce greenhouse gas emissions, in alignment with Federal goals. [ACEEE](#) found that Fannie Mae and Freddie Mac adopting the energy codes would yield almost 200 million metric tons in reduced carbon dioxide emissions from homes built through 2050, equivalent to the emissions from 25 million homes in one year.

The undersigned urge FHFA to act now to adopt the 2021 IECC and ASHRAE Standard 90.1-2019 for new homes that secure Enterprise mortgages. Taking this step in conjunction with HUD, USDA, and VA will help lower costs for homebuyers and renters, especially those in underserved communities and with lower incomes, and strengthen the financial stability of the Enterprises.

We look forward to supporting FHFA as it continues to deliver on its mission to safeguard housing finance and community investment in the face of growing climate-driven risks.

Sincerely,

350.org
AjO
Alliance of Nurses for Healthy Environments
Alliance to Save Energy
American Council for an Energy-Efficient
Economy
American Lung Association
Americans for Financial Reform Education Fund
ARCH Community Health Coalition
ASHRAE
Asthma and Allergy Foundation of America
Bodaken & Associates
CAC of Fayette County, Ohio
California Efficiency + Demand Management
Council
cdcb | come dream. come build.
Ceres
Climate Nexus
Community Ventures
Consumer Action
Dance With Todd Inc
Earth Advantage
Earthjustice
Elevate
ENERSTRUCTA
Enterprise Community Partners
Evergreen Action
Fauquier Habitat for Humanity
George Mason University Center for Climate
Change Communication

Green & Healthy Homes Initiative
Greenbank Associates
Guadalupe Economic Services Corporation
Habitat for Humanity Northeast Michigan
Habitat for Humanity of Bulloch County
Health Collaborative Dan River Region
Housing Assistance Council
Housing Sustainability Advisors
I'm HOME Network
Indiana Environmental Clean Energy J40
Institute for Market Transformation
Just Solutions
Lincoln Institute of Land Policy
Local Initiatives Support Corporation
Low Income Investment Fund
Medical Society Consortium on Climate and
Health (MSCCH)
Midwest Building Decarbonization Coalition
Midwest Energy Efficiency Alliance (MEEA)
Minnesota Housing Partnership (MHP)
Moscow Affordable Housing Trust
National Association for Latino Community
Asset Builders
National Association of Local Housing Finance
Agencies
National Coalition for the Homeless
National Community Action Partnership
National Consumer Law Center (on behalf of its
low-income clients)
National Environmental Health Association

National Housing Law Project
National Housing Resource Center
National NeighborWorks Association
Network for Oregon Affordable Housing
New Buildings Institute
New York Geothermal Energy
Organization/NY-GEO
North American Insulation Manufacturers
Association
NRDC (Natural Resources Defense Council)
Partners for Rural Washington
Physicians for Social Responsibility
Public Citizen
Rewiring America
Richmond Metro Habitat for Humanity

Rise Economy (formerly California
Reinvestment Coalition)
RMI
Salem Housing Authority
Self-Help Enterprises
Self-Help Housing Corporation of Hawaii
Sierra Club
Southern Environmental Law Center
Southwest Energy Efficiency Project
The Passive House Network
Tierra del Sol Housing Corporation
U.S. Green Building Council
Under Gods Care Inc