



Surveillance: Green Benchmarking

2018 Asset Management & Operations Servicer Workshop



- Program objectives
 - » Lower expenses for Workforce Housing tenants
 - » Incentivize Borrowers to improve Workforce Housing
 - » Do something good for the planet
- Green Up[®]/Green Up Plus[®] remains very active even with FHFA's requirement increase that started January 2018
 - » Water **OR** energy 25% consumption reduction requirement
 - Calculation based on whole-property consumption only
 - » Removed \$350/unit requirement
 - » Removed vintage requirement

- Green reporting requirements
 - » Freddie Mac Surveillance has the primary role in monitoring Borrower compliance
 - » To facilitate Borrower compliance, Servicer must assist Borrowers with the following
 - Access property data entered by Green Consultant in Portfolio Manager®
 - Input Benchmarking Data in Portfolio Manager
 - Submit Benchmarking Metrics in Portfolio Manager via the link created by Freddie Mac
 - Follow up on Freddie Mac requests regarding non-compliant Borrowers
- Monitoring Green Improvements
 - » Escrows and completions per typical repair requirements
- Modification requests

- Accessing property in Portfolio Manager®
 - » As part of the Green Report, the Green Consultant will input property data into Portfolio Manager and share it with the Borrower
 - To share this property data with the Borrower, the Borrower must have a Portfolio Manager account and provide the following information to the Green Consultant
 - Borrower Portfolio Manager information
 - Username
 - Email
 - Contact person
 - Property information
 - Property name
 - Address
 - Consultant will then send a connection request to the Borrower, who must accept the connection request. Then the consultant can share the property data
 - Servicers must ensure Borrowers gain access to the property data in order to begin inputting utility consumption data

- Ongoing reporting
 - » Benchmarking Data
 - Borrower should input whole property utility consumption data; if this is not available, the Borrower must collect
 - Actual owner paid and at least 10% of tenant-paid energy and water usage
 - Uncollected actual tenant consumption should be estimated
 - » Data should be input into the same property set up by the Green Consultant
 - Input period
 - Starts the 2nd full month after loan closing and continues monthly through the remaining four calendar years following the date of the Loan Agreement
 - » Borrowers may elect to manage inputs into Portfolio Manager on their own or can use a third-party vendor

Resources for Benchmarking Data

- [Benchmarking How-to Guide for Borrowers & Servicers](#)
- [Benchmarking – Frequently Asked Questions \(FAQs\)](#)
- Portfolio Manager: www.energystar.gov/buildingshelp

■ Ongoing Reporting

» Benchmarking Metrics

- Metrics are calculated by Portfolio Manager once 12 consecutive months of Benchmarking Data is input; Freddie Mac will request metrics based on calendar years of consumption (Jan.-Dec.)
- Borrowers will be required to submit the following metrics for each calendar year of complete Benchmarking Data continuing through the end of the 4th year of the loan agreement
 - Energy Star Score
 - Water Score
 - Energy use intensity
 - Water use intensity
- Borrowers will submit the annual metrics by accessing a link that will be provided on mf.freddiemac.com – this link is called a data request
- The first Benchmarking Metrics link will be created for 2018 and made available in 4Q 2018 with a due date of 3/31/2019
 - **Note:** Direct Borrowers to a new link that will be created each calendar year

Green Reporting Requirements – Borrower Activities (Cont'd)

Reporting	Due Date	How	Who
Benchmarking Data	Monthly starting 2 nd full month after loan closing	Input into Portfolio Manager	Borrower
Benchmarking Metrics	Ninety (90) days after each calendar year end; starting with first full year of data	Through Portfolio Manager via a data request link	Borrower
Green Improvements Verification Certification	Within 30 days after the actual completed Green Improvements date	Submit via PRS or DMS	Servicer

- Follow up with Borrowers needed if deliverables are not received by the applicable due date(s)

Green Reporting Requirements – Borrower Activities (Cont'd)



Reporting Dates – Example

Loan Agreement Date	3/4/2018	
4th Anniversary of Loan Agreement	3/4/2022	
Dates for entering Benchmarking Data	5/1/2018 to 12/31/2022	
Benchmarking Metrics Delivery Dates	2019 Metrics	3/31/2020
	2020 Metrics	3/31/2021
	2021 Metrics	3/31/2022
	2022 Metrics	3/31/2023
Date of Actual Completion of Green Improvements	8/23/2019	
Verification Certification Due Date	9/23/2019	

- Treated as a repair and funds are escrowed in a Repair Reserve
 - » Follow provisions in the Loan Agreement and *Guide* Chapter 39
 - Monitor completion dates and work to ensure timely completion
 - Maintain supporting documentation showing that repairs are completed satisfactorily
- Green Improvements Verification Certification (GIVC)
 - » Due within 30 days after completion of all improvements in their entirety
 - » Portfolio/Non-Securitized loan
 - Submit to Property Reporting System (PRS)
 - » Securitized loan
 - Submit to DMS – note that this is a change from the prior requirement to submit via email and was made effective per the Feb. 2018 *Guide* revision
 - Document type: Green Improvements Verification Certification

- Green Improvements Verification Certification
 - Completion date of the Green Improvements
 - Confirmation of current energy and water usage (Benchmarking Data) entered into Portfolio Manager
 - The specifications of the completed Green Improvements are per the Green Report recommendations

Specification Performance for Item as Noted in Green Assessment		Specification Performance for Item Installed	
ITEM DESCRIPTION	QUANTITY	ITEM DESCRIPTION	QUANTITY
Replace all showerheads with 1.5 GPM showerheads	192	1.5 GPM showerheads	192
Replace 100% of bathroom aerators with 0.5 GPM aerators	192	0.5 bathroom aerators	192
Replace exterior lighting with LED fixtures	110	7W LED porch fixtures	110
Install programmable thermostats in all units	192	24V heat/cool programmable thermostats	192

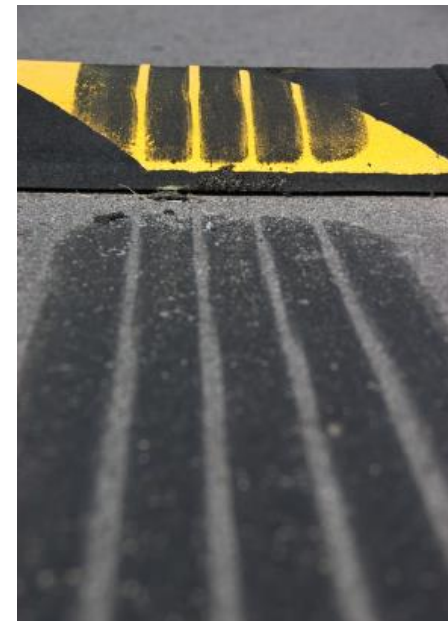
- Incomplete or partial improvements; extension requests
 - » Monitor in a similar fashion as other repairs and also consider
 - Freddie Mac generally considers the original time frame allotted for completion to be sufficient
 - Requests to extend the completion date must include reasonable support. Servicers should use their best business judgment in reviewing
 - Extensions are processed through the standard consent request process
 - Freddie Mac discourages extending the completion date beyond an additional 6 months and will only grant such extensions due to extraordinary circumstances. In no instance will Freddie Mac extend the completion date beyond an additional 12 months
 - » Upload approvals and all supporting documentation to DMS
 - Provide notice to Freddie Mac using the following email address green_advantage_reporting@freddiemac.com

- Disbursement from Repair Reserve
 - » Follow the same requirements for Repair Reserves outlined in *Guide* Chapter 39 with the following considerations
 - Green Improvement Deposit (the escrowed cost of Green Improvements at 125%) must only be used for Green Improvements
 - Excess Green Improvement Deposit funds only released when all other repairs are complete
 - Disbursed in coordination with the final Repair Reserve disbursement

Monitoring Green Improvements – Servicer Activities (Cont'd)

■ Issue

- » Borrower submits a GIVC stating 100% of work was complete and supporting documentation including invoices indicating the proper number of units of toilets and showerhead replacements
- » The inspection of 12 units found only 70% of the showerheads and 95% of toilets installed



Monitoring Green Improvements – Servicer Activities (Cont'd)

- What would Freddie do?
 - » Get an explanation
 - » Determine the time frame for completion
 - » Consider if additional inspections are warranted
- Possible responses
 - » Withhold portion of escrowed funds until satisfied with completion
 - » Release escrowed funds

- Process through standard consent request process
- Evaluate – Does the modification meet the required savings % and if applicable, the \$/unit requirement?
 - » If the modification is warranted, ensure the consultant updates the Form 1106 and revises the date
 - » The updated Form 1106 should be uploaded into DMS
- Requests for alternate improvements
 - » Must be selected from recommendations from Form 1106 in the Green Report
 - » Must achieve same or better targets for savings % and \$/unit
- Requests for new/partial improvements
 - » Require Green Consultant analysis
 - » Ensures the % savings (and \$/unit if applicable) are still met

Modification Request – Example 1

■ Background

- » Borrower has committed to replace showerheads, bathroom and kitchen aerators, toilets and washing machines on a 300-unit property
- » Deal closed with the 15% savings and \$350/unit requirements
- » The projected water savings will equal 23%
- » The cost of the improvements will be \$245,000



■ Issue

- » The Borrower has completed the showerheads, bathroom and kitchen aerators and toilets but has not yet started the washing machines
- » Does the Borrower need to complete the washing machines?

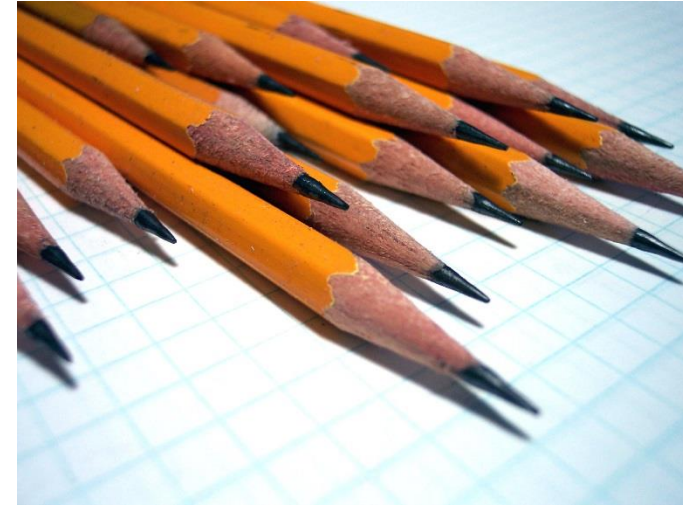
- What would Freddie do?
 - » Review Exhibit C of the Loan Agreement to determine what the Borrower is obligated to complete
 - » Determine the required % savings and \$/unit
- Possible responses
 - » The washers are part of the loan documents and must be completed
 - » A modification would be necessary to remove this requirement from the loan documents



Modification Request – Example 2

■ Background

- » Borrower has committed to replace all aerators, showerheads and toilets in a 237-unit property
- » Deal closed with the 15% savings and \$350/unit requirements
- » The projected water savings will equal 18%, of which the toilets is 7%
- » The cost of the improvements will be \$92,000, toilets are \$72,000



■ Issue

- » The Green Consultant recommended installing 0.8 GPF toilets but the Borrower indicates the water flow rates will only permit the installation of 1.28 GPF toilets

- What would Freddie do?
 - » Get additional information from Borrower regarding 1.28 vs. 0.8 GPF
 - » Need Green Consultant to determine impact to % savings and cost
 - Update Form 1106 with updated information
- Possible Responses
 - » If the projected savings and \$/unit targets are attainable with the 1.28 GPF toilets, no additional improvements necessary
 - » If the projected savings and/or \$/unit targets are unable to be achieved, additional conservation measure could be required
 - » Modification needed to update the changed Green Improvement
 - » Servicer uploads the updated Form 1106 into DMS

- Background

- » Borrower committed to replace HVAC systems on a 350-unit property
- » Upon further inspection, the replacement is not feasible without significant and costly construction
- » Deal closed with the 15% savings and \$350/unit requirements
- » The projected energy savings of the new HVAC system will equal 18%
- » The cost of the new HVAC system will be \$425/unit

- Issue

- » Borrower is requesting to implement an improvement that was not recommended by the Green Consultant

- What would Freddie do?
 - » The new improvement requires additional consultant analysis
 - New improvement must meet the required % savings and \$/unit
 - Consultant must update Form 1106 with the new improvement and a new date
- Possible responses
 - » If % savings and \$/unit meet the requirements, submit a modification request
 - » If % savings and/or \$/unit do not meet the requirements, an additional improvement would need to be selected
 - » Servicer uploads the updated Form 1106 into DMS