



ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

Date: January 8, 2020

MORTGAGEE LETTER 2020-01

TO: All FHA Approved Multifamily Mortgagees

SUBJECT: Green Mortgage Insurance Premium (MIP) Compliance Reporting Guidance

PURPOSE

This Mortgagee Letter (ML) reiterates the requirements to all MAP lenders and borrowers on how to report and maintain compliance with Green MIP requirements per the “Rider to the Regulatory Agreement: Borrower’s Obligation to Maintain Project’s Energy Performance as Consideration for MIP Reduction”. This ML delineates a compliance monitoring framework that applies to all properties that have a Green MIP in the FHA Multifamily insured portfolio.

BACKGROUND

What is Multifamily Housing MIP?

Mortgage insurance encourages lenders to make loans to private sponsors or owners of rental housing by insuring the lender against losses incurred when owner/borrowers default on their mortgages. If FHA insures a mortgagee, the lender/mortgagee is responsible for the remittance of the annual MIP to FHA, at a rate generally between 0.25% to 0.70% of the unpaid balance of the mortgage loan amount.

What is Green MIP?

Published in the Federal Register (81 FR 18473) on January 28, 2016, HUD instituted a MIP rate for green housing to encourage owners to adopt higher standards for construction, rehabilitation, repairs, maintenance, and property operations that are more energy efficient and sustainable than traditional approaches. The lower rate incentivizes owners to implement measures that result in housing with greater energy and water efficiency, reduced operating costs, and improved indoor air quality and resident comfort.

Through voluntary participation, the lender/mortgagee must pay an annual MIP at the rate of 0.25% in exchange for committing to maintain the underlying property to industry-recognized green building standards.

HOW TO REPORT?

In order to maintain continual compliance for a Green MIP rate, properties must achieve and maintain an ENERGY STAR[®] score of 75 or higher as evidenced by a report from ENERGY STAR Portfolio Manager[®] (Portfolio Manager), an Environmental Protection Agency (EPA) online platform for owners to upload and report energy performance for properties.¹ The system measures and tracks energy and water consumption and greenhouse gas emissions on a 1-100 index score.

Portfolio Manager produces a Statement of Energy Performance (SEP) report summarizing a property's calendar year energy consumption. The SEP captures the consumption of a 12 consecutive month period (i.e. January 1 to December 31). The SEP is due annually by March 31. A Qualified Energy Professional (as defined in the MAP Guide Chapter 5.3 Section C), such as a licensed engineer, must sign the SEP to verify the data. Housing properties in the FHA multifamily insured portfolio must submit a verified and signed SEP directly to the following appropriate field mailboxes to maintain compliance. Submissions must include the FHA ID number for each housing property.

Atlanta	ATL.incoming@hud.gov
Baltimore	BAL.incoming@hud.gov
Boston	BOS.incoming@hud.gov
Chicago	CHI.incoming@hud.gov
Detroit	DET.incoming@hud.gov
Denver	DEN.incoming@hud.gov
Fort Worth	MFSouthwest@hud.gov
Jacksonville	JAX.incoming@hud.gov
Kansas City	MFSouthwest@hud.gov
Minneapolis	MN.incoming@hud.gov
New York	NY.incoming@hud.gov
San Francisco	SF.incoming@hud.gov

An example of a timeline for a first SEP submission after closing on April 1, 2019, would be on or before, March 31, 2021 in order to ensure a complete calendar year of 2020 data, following a 12-month cycle. In other words, submit a SEP by March 31 of the subsequent year after the 12-month data collection period of January 1 to December 31.

A borrower has elected and agreed to diligently pursue and maintain a green standard as a condition of receiving the Green MIP rate, a significant monetary benefit. In the event of noncompliance with the Green MIP program, HUD will implement REAC protocols traditionally utilized by the Office of Multifamily Housing for unacceptable property standards to ensure the

¹ www.energystar.gov/buildings/facility-owners-and-managers/existing-buildings/use-portfolio-manager

owner brings the property into compliance (81 FR 18476). Without limiting any rights and remedies arising as a result of such noncompliance, enforcement actions could jeopardize future business with HUD, deny sponsors Green MIP rates on future applications. In addition, the owner could be prohibited/limited from making distributions of surplus cash. HUD will also advise servicing lenders periodically with the names of properties not in compliance with Green MIP requirements.

For questions or information about this ML, contact your assigned HUD Account Executive.

PAPERWORK REDUCTION ACT

The information collection requirements in this Housing Notice are already approved under OMB Approval number 2505-0029, issued under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520), for multifamily mortgage insurance application forms. In accordance with the Paperwork Reduction Act, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

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