



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, DC 20429-9990

Financial Institution Letter

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Alert on FHFA Statement Relative to Concerns With Certain Energy Lending Programs

Summary: The Federal Housing Finance Agency (FHFA) has issued a statement relative to concerns with certain energy retrofit lending programs. Insured institutions should be aware of such programs, as these programs could affect their residential mortgage lending activities and the ability to sell loans to Fannie Mae and Freddie Mac.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:

Chief Executive Officer
Chief Lending Officer

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Note:

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Highlights:

- The FHFA statement may impact institutions' ability to sell residential mortgage loans to Fannie Mae and Freddie Mac.
- The FHFA statement advises that certain energy retrofit programs use the municipal tax assessment process to ensure repayment, which results in a priority lien status that supersedes the position of existing properly recorded lien holders.
- The FHFA statement indicates that underwriting and consumer protection standards, as well as energy retrofit standards, are being developed for these programs to ensure borrowers have the ability to repay the new monies in addition to existing obligations and consumers receive appropriate truth-in-lending disclosures. The FDIC shares the FHFA's concerns about the lack of appropriate underwriting and consumer protection standards.
- The FHFA statement directs Fannie Mae, Freddie Mac, and the Federal Home Loan Banks to take specific actions that protect their operations.
- The FHFA's statement is available at www.fhfa.gov/webfiles/15884/PACESTMT7610.pdf.
- This alert is provided for informational purposes.