

United States Senate

WASHINGTON, DC 20510

March 20, 2024

The Honorable Sandra Thompson
Director
Federal Housing Finance Agency
400 7th Street SW
Washington, D.C. 20024

Dear Director Thompson:

I write to urge you to lower long-term housing costs and support a stable housing finance system by requiring that new homes, with mortgages backed by Fannie Mae and Freddie Mac (the Enterprises), meet up-to-date building codes for energy efficiency. Utilizing these codes will also align building codes required by the Federal Housing Finance Agency (FHFA) with those currently being updated by the Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA) for their residential mortgage programs, further supporting consistency across the housing market.

In addition, aligning building codes with updated standards will save money for homeowners and renters across the country. HUD and USDA found that the increased initial costs of construction are more than made up for by lower monthly energy costs. Updated codes add only about 2 percent to the upfront cost of a home but save families an average of \$750 per year on energy costs. On balance, these standards would save more than \$14,000 for a single-family home and \$5,000 for multifamily units over the life-cycle of the home.¹ In addition, Freddie Mac's research found energy efficiency improvements can actually reduce risk for the Enterprises, in part due to better resale values.²

Beyond these potential monetary benefits, requiring updated building codes helps save lives by improving indoor air quality and protecting families from extreme weather events. Improved energy codes address climate risks through lower energy usage and better insulation keeping residents safe during extreme heat and cold events. Updated energy codes can also reduce exposure to pollutants that can lead to negative health impacts including asthma, heart disease and lung cancer and yield better indoor air quality.³

Further, this is an ideal time for FHFA to make these changes. The Bipartisan Infrastructure Law provided \$1 billion of federal funding to help states and localities update their building codes. State and local governments, HUD and USDA and FHFA all acting at the same time to require

¹ <https://www.federalregister.gov/documents/2023/05/18/2023-10596/adoption-of-energy-efficiency-standards-for-new-construction-of-hud--and-usda-financed-housing>

² https://sf.freddie.mac.com/docs/pdf/fact-sheet/energy_efficiency_white_paper.pdf

³ <https://www.energy.gov/eere/buildings/articles/home-rx-health-benefits-home-performance-review-current-evidence>

updated building codes would reduce or eliminate the need for developers to understand numerous different codes.

I understand that FHFA may need to allow a grace period so that mortgages on homes already under construction can still be purchased by the Enterprises, but I believe FHFA can properly navigate that process. A clear announcement of FHFA's intent to utilize up-to-date energy building codes would send a signal to developers to build to those standards and begin saving residents money sooner.

Accordingly, I urge you to move quickly to adopt modern energy building codes for new homes utilizing Enterprise mortgages to align with other federally backed housing construction. These standards will support a stable, efficient housing market by reducing wasted energy, improving health outcomes and lowering costs for both renters and homeowners across the country.

Sincerely,



Jeanne Shaheen
United States Senator