HUD/USDA Energy Code Requirements

Issue Overview

In April 2024, the U.S. Departments of Housing and Urban Development (HUD) and Agriculture (USDA) issued a Final Determination that will require new single-family homes financed by these agencies to comply with the 2021 International Energy Conservation Code (IECC) beginning in November 2025. HUD-financed multifamily housing must comply with the 2021 IECC or ASHRAE 90.1-2019, effective May 2025. The Veterans Affairs (VA) Home Loan Program is also required to align with HUD/USDA, although the timing to do so is uncertain. The Federal Housing Finance Agency (FHFA) is considering applying these same standards for new homes and apartments financed by Fannie Mae and Freddie Mac.

Requiring the 2021 IECC and ASHRAE 90.1-2019 codes on virtually all new construction supported by HUD and USDA undoubtedly will have adverse consequences on the affordability and availability of new construction of single- and multifamily housing. Further, this policy conflicts with energy codes in 42 states, which will lead to construction delays and implementation challenges, including uncertainty about compliance, a lack of qualified inspectors, inconsistent appraisals and confusion about mortgage products. This mandate is unnecessary, raises housing costs, limits access to mortgage financing and hurts vulnerable home buyers and renters.

Solutions

- Rescind the 2024 Final Determination. Immediately delay implementation dates to allow for the rulemaking process.

- Prohibit FHFA from aligning with HUD/USDA on this requirement.

- Support legislation comparable to the HOUSE Act (H.R. 8624/S. 4958), which would require HUD and USDA to rescind the Final Determination and amend EISA to ensure that at least 50% of states have adopted an energy code before it could be applied by HUD and USDA. Also prohibit the VA from adopting the 2021 IECC and prevent FHFA from establishing a minimum energy standard for new construction homes financed through Fannie Mae and Freddie Mac.

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