



Lenders' Fact Sheet on ENERGY EFFICIENT MORTGAGES:

What is an Energy Efficient Mortgage?

Any FHA, VA, or conventional mortgage can become an Energy Efficient Mortgage when the home's energy efficiency is evaluated through a nationally accredited HERS (Home Energy Rating System) organization.

Several mortgage programs are used widely in the US, backed by FHA, VA, Fannie Mae, and Freddie Mac that allow homeowners to upgrade the energy efficiency of a home at the time of purchase or refinance, or to receive a larger mortgage when purchasing an energy-efficient home. If the house needs energy improvements, the cost of the improvements can be included in the mortgage. If the house already has a FOUR or FIVE STAR energy rating as determined by a certified HERS rater, lenders can add the monthly energy savings to borrower income in the calculation when qualifying buyers for a mortgage.

What are the Benefits?

For **LENDERS**:

- Qualify 10-15% more buyers
- Make larger/more profitable loans
- Buyers are less likely to default and get more house for their money
- Markets a "green" image for lender

For **BUYERS** or **REFINANCERS**:

- Lower utility bills, increased market value, and greater comfort and durability
- Significant long-term savings on total housing costs
- No additional out-of-pocket costs at closing

Eligible Buildings

1 – 4 unit properties

Energy Improvement Cost Limits

HUD 203B and 203(k): The borrower can finance 100% of the cost of eligible improvements (5% of the appraised value with an upper dollar limit of \$8,000).

CONVENTIONAL: borrower can finance 100% of eligible improvements (up to 10% of adjusted home value).

Income / Purchase Cost Limits

FHA: No income limits; maximum area loan limits may be exceeded by the costs of the allowable energy upgrades.

Extra Cash needed from borrower for upgrades

None – if upgrades produce energy savings with a present value greater than their cost. Final Loan-To-Value may exceed 100% if upgrades produce energy savings with a present value greater than their cost.

Timeframe to complete project

Varies by product, **typically 90 days** after closing (extension possible due to adverse weather)

Closing Costs

Borrower may finance closing costs and the upfront MIP into the mortgage. The borrower also will be responsible for an annual mortgage insurance premium.