

Residential Energy Efficient Mortgages

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FNMA EEM

- Owner Occupied primary residences, including single family, condo and PUD. Manufactured homes are not eligible.
- Borrower must contribute 5% toward the mortgage transaction, flexible sources are allowed; community seconds are allowed. In addition, borrowers contribution can come from energy efficiency rebates from government agencies, utilities and manufacturers.
- Energy savings and energy efficiency tax credits may be added into calculations as “other income”.

Calculations

- For newly constructed or existing EE property:
- Sales price = the contract price
- Appraised value = Energy savings value (as reported on the Energy Report) + the lesser of the appraised value or the sales price
- Energy savings value \leq 5% of appraised value
- For existing property where improvements are financed:
- Sales price equals the contract price
- Appraised value = appraised value prior to improvements + the energy savings value
- Energy savings value \leq 15% of appraised value prior to improvements

FHA vs VA-Parameters

- Owner occupied 1-2 unit
 - Finance \$4000 or 5% of the appraised value, whichever is greater to a maximum of \$8000
 - FHA maximum loan limits can be exceeded by energy improvements being financed
 - Final LTV may exceed 100% of appraised value when the energy improvements have a present value greater than the cost of the upgrades
 - Installation time limit is 90 days or 6 mths if renovation loan
 - A 2% increase in debt to income ratio would be allowed
- Owner occupied single family residence
 - Finance up to \$3000 based solely upon documented costs; or, up to \$6000 provided the increase in monthly mortgage payments does not exceed the likely reduction in monthly utility costs; or, more than \$6000 subject to a value determination by the VA
 - Improvements should be completed within 6 months from the date of loan closing or remaining funds will be applied as a principal reduction on the loan

Third Party Verification

- The property must be rated as energy efficient by an Energy Rater accredited under the “National Energy Rater and Certifying Standard,” as adopted by the Residential Energy Service Network (RESNET). This rating must be provided utilizing the Home Energy Ratings Systems (HERS) or the Building Option Packages (BOP) methodologies.
- The verification must be submitted using the Conforming Investors “Energy Efficient Mortgage” Energy Report, which specifies the monthly savings benefit to the borrower as well as the energy savings value of the property.

Acceptable Improvements

- Solar Heating Systems, including for residential hot water
- Solar Heating and Cooling Systems
- Caulking and Weather Stripping
- Furnace Efficiency Modifications (limited to specific improvements)
- Clock Thermostats
- New or additional ceiling, attic, wall and floor insulation
- Water heater insulation
- Storm windows and/or doors, including thermal
- Heat pumps
- Vapor barriers

Other Programs

- Credit Unions and banks are also offering unsecured loans related to energy efficiency improvements without the usual collateral and underwriting requirements. Please check with your local lending institution for details.