

OVERVIEW

When you are buying, selling, refinancing or remodeling your home you can increase your comfort and reduce energy costs through energy-efficient mortgage (EEM). Energy-efficient mortgages allow homeowners to finance a variety of energy efficiency measures, including renewable energy technologies, in a new or existing home. While EEMs generally have a slightly higher monthly payment, this is more than offset by savings from energy efficiency.

HOW DO ENERGY-EFFICIENT MORTGAGES WORK?

The EEM recognizes that energy efficient homes cost homeowners less to operate on a monthly basis than standard homes because they use less energy. Homeowners or buyers can count the extra income from energy savings in their debt-to-income ratio, allowing them to qualify for a larger loan and often a better interest rate.

There are three principle types of energy efficient mortgage:

EEMs can be used for both purchase and refinance transactions. In each case, an EEM can increase your buying power by factoring the monthly energy savings into your income, allowing you to qualify for a larger loan and better interest rate.

- ☀ EEMs can be used to purchase a home that is already energy-efficient, based on verification by a qualified energy rater (see page 2).
- ☀ EEMs can be used to make energy upgrades when buying a non-efficient home, based on recommendations from a home energy rating.
- ☀ EEMs can be used to refinance loans to pay for energy efficiency upgrades to an existing home.

WHAT ARE THE BENEFITS OF AN ENERGY-EFFICIENT MORTGAGE?

- ☀ Buyers can show lower debt-to-income and loan-to-value ratios – the key components in qualifying loans – which can allow them to qualify for a larger loan and sometimes a lower interest rate.
- ☀ Energy efficiency improvements can increase the potential resale value of a home and distinguish it in a competitive market.
- ☀ Energy efficient homes are comfortable and save money on energy costs.
- ☀ EEM financing rates are better than most credit cards or home improvement loans. Mortgage interest is tax-deductible while other forms of credit or financing are not.

WHO IS ELIGIBLE FOR AN ENERGY-EFFICIENT MORTGAGE?

All buyers who qualify for a home loan can also qualify for an EEM; availability is not limited by location, price or the homeowner's utility company. An EEM can be provided for government (Federal Housing Authority and Veterans Affairs), conventional, portfolio, and jumbo loans. A lender will help you decide which loan type is best for you.

To qualify, the efficiency of a home and the expected savings from proposed energy efficiency improvements must first be verified through a home energy rating, conducted by a qualified energy rater (see side bar).

WHO OFFERS ENERGY-EFFICIENT MORTGAGE?

Energy efficiency mortgages are not unlike most other mortgages; they are provided by a range of lenders, are federally recognized and are competitive. You can get more information on EEMs on the internet or from your lender. National lenders include:

- ☀ Fannie Mae
- ☀ FHA Energy Mortgage Program
- ☀ Veterans Administration Energy Mortgage Program
- ☀ Freddie Mac Support for Energy

The Skinny on EEM financing

In this example, the buyer wishes to make \$30,000 in energy efficiency improvements to an existing home before moving in.

	Existing home	Same home with energy improvements
Loan amount (home value)	\$160,000	\$190,000
Interest rate	6%	5.85%
Monthly payment	\$1,399	\$1,379
Energy Bills	\$225	135
True monthly cost of home ownership	\$1,654	\$1,514
Monthly savings	—	\$140

*this table is for estimation purposes only and should not be considered a quote.

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Lender Partners**

http://www.energystar.gov/index.cfm?fuseaction=new_homes_partners.showHomesRes ults&partner_type_id=LEN&s_code=ALL

RESNET

<http://www.resnet.us/ratings/mortgages/default.htm>