

Reprinted with permission of Asheville Citizen Times

Energy Efficient Mortgages

By Dave Mosrie

As interest rates continue to climb and the affordable housing market in the WNC becomes more difficult, lending institutions have created a new tool to give home owners the option of increasing their buying power for homes that are energy efficient, or for adding energy efficient upgrades to their new home, and wrapping the cost into their mortgage at an affordable rate. The Energy Efficient Mortgage (EEM) is a way many home buyers can afford to upgrade to features such as Low-E double insulated windows, install additional insulation, or upgrade to more efficient mechanical systems. By including these upgrades in the mortgage, the cost is spread out over the term of the loan and at competitive interest rates, usually only slightly increasing monthly mortgage payments. Since interest payments on mortgages are tax-deductible, this method is preferable to putting improvements on credit cards or paying cash in most cases. The lender figures that the utility savings will actually increase the homeowner's buying power due to decreased monthly utilities expenses, allowing them to stretch the traditional acceptable debt-to-income ratios and allowing the homebuyer a higher monthly mortgage payment. Consequently, as quality affordable housing stock in the area dwindles, the EEM can actually allow many local buyers to purchase and upgrade into a far better home than they would otherwise qualify for, decreasing their monthly utility costs and increasing the comfort of their home.

Any homebuyer who can qualify for a mortgage can also qualify for an EEM. EEMs can be done on government (FHA or VA), conventional, portfolio, or jumbo loans. New or older homes can qualify for the program, but all homes must first have a Home Energy Rating, or HERS report, done by a qualified Energy Rater. This report takes into account numerous factors to calculate the home's energy efficiency and recommends cost effective upgrades based on the cost, annual savings, and useful life of the applicable upgrades. It will also determine the estimated total energy cost of the home before and after the upgrades. The reports tend to cost between \$100 and \$300.

For example, first time home buyers Patricia and Mynette Theard purchased a home built in 1940 for \$150,000. They got an FHA loan with 95% loan-to-value ratio. Their lender recommended they consider an EEM. A HERS rating on their home recommended \$2,300 in improvements including insulation in the ceiling, floor and around the ducts, and a setback thermostat. With the improvements, the loan amount rose from \$142,500 to \$144,800, thereby increasing their monthly mortgage payment by \$17. Their energy savings average \$45/ month, and their home is much more comfortable and efficient due to the improvements. And no real additional out-of-pocket expense was required due to the use of the EEM.

For many, their home is the biggest investment they will ever make, and where they will spend many of the most important times of their lives. The Energy Efficient Mortgage is an excellent tool that can be used to increase and protect the value of their investment, improve the quality of the time spent within the home, and reduce the damage caused by unnecessary wasting of our natural resources.

For more information on Energy Efficient Mortgages, contact Countrywide Home Loans at (828) 771-2670, or contact the WNC Green Building Council at www.wncgbc.org. You can find information on upcoming events, links and information on other modern building practices and energy-related issues. Please contact the WNCGBC with any questions at The Green Building Hotline (828)232-5080 or email info@wncgbc.org.