****

Linn Creek, MO

 618-419-2225

 **Green Mortgages**

Energy efficient mortgages are generally underutilized programs. An energy efficient mortgage can add an additional 15% to a home's appraised value to the principal of a new loan or a refinance, often at no additional cost, no compromise in the loan-to-value ratio for the borrower, and sometimes at a better rate. Although the borrower will pay more in principal and interest (roughly $30-50 dollars per month over the course of the loan), when this extra principal is used to install energy efficiency measures, it is not uncommon for the property owner to realize $75-100 per month in energy cost savings. When working with a lender who offers and understands the energy efficient mortgage programs available, the steps for the borrower are straightforward.

**Estimated Cost Savings**

There are no additional costs associated with many energy efficient mortgage options, other than the cost of the additional $15,000 in amortized principal and interest (PI). By definition, the savings created by the energy efficiency measures are greater than the additional PI. This provides the assurance lenders need to conclude loans of this nature are good business.

Energy efficient mortgage options are also attractive to lenders. When borrowers make energy efficient improvements and create lower monthly utility bill and other savings, their monthly cash-flow improves. This improvement in cash-flow makes the borrower a more stable and reliable customer, and less likely to default on a loan.

**Considerations**

Most energy efficient financing programs require that the borrower have an energy rating performed on the property. A rating typically involves an inspection by a professional energy rater who is certified under a nationally or state accredited home energy rating system (HERS). The Residential Energy Services Network (RESNET) provides a database of Certified Home Energy Raters by state.

**Availability**

Energy efficient mortgages and other financing options for energy efficiency improvements are available throughout the U.S.

**Procedures**

Applicants talk to lenders, then schedule a Home Energy Rating. Lenders may be able to refer borrowers to energy raters.

Green Mortgages

* **Energy Improvement Mortgage**: Finances the energy upgrades of an existing home in the mortgage loan using monthly energy savings.
* **Energy Efficient Mortgage**: Uses the energy savings from a new energy efficient home to increase the home buying power of consumers and capitalizes the energy savings in the appraisal.

Fannie Mae, Freddie Mac, FHA and VA have adopted *special underwriting guidelines* to make financing energy efficiency less burdensome.

   