

SUMMARY: FHA ENERGY EFFICIENT MORTGAGE PROGRAM
Mortgagee Letter 2005-21 - HUD's Energy Action Plan and Energy Efficient Mortgages
Mortgagee Letter 2009-18 – Increase in Dollar Amount of Energy Efficient Improvements

ELIGIBLE LOAN TYPES:

Most FHA loan products – Existing Residential - Purchase or Refinance – Owner Occupants - NO Investors
Refinancing: For a streamline refinance, the borrower's principal and interest (P&I) payment on the new loan including the energy package may be greater than the principal and interest (P&I) payment on the current loan. No cash-out

PROGRAM GUIDELINES:

5% of Purchase Price - See Mortgagee Letter 2009-18
100% Financing of "Cost Effective" eligible energy improvements
No Additional Liens: The total of the energy improvements is layered into the base loan amount
Loan Limits may be exceeded by the total cost of the energy improvements

QUALIFYING BORROWER:

Borrower automatically qualifies for "Cost Effective" Energy Improvements
The borrower does not need to income-qualify for the additional energy improvement financing or
The borrower does not need to provide additional down payment.

APPRAISAL:

Appraisal is automatically increased by the amount of the energy improvements. There is no need for a second appraisal; the increase of property value is calculated by the underwriter or loan processor.

WEATHERIZATION ITEMS: FINANCING ADDITIONAL ENERGY IMPROVEMENTS:

When the maximum allowed under the Energy Efficient Mortgage does not cover the cost of the entire energy package, For existing properties, energy-related weatherization items (see handbook HUD 4155.1, Rev 5,1-7(C)(2) for maximum additions to the mortgage amount) may be combined with the Energy Efficient Mortgage. The weatherization amount would be the cost of the improvements not covered by the EEM amount. Buyer must qualify with additional down payment for Weatherization items

ENERGY IMPROVEMENTS ARE INSTALLED AFTER THE CLOSE OF ESCROW:

The Energy Efficient Mortgage funds are held in an Escrow Holding Account until all energy improvements have been completely installed. A Notice of Completion is issued and the Contractors are paid

COST-EFFECTIVE:

Cost Effective means, the energy savings must be greater than the increase of the payment
Cost Effective must be calculated and based on a State of California approved Certified HERS Energy Rating

HERS ENERGY AUDIT (RATING):

The Lender required Certified Energy Rating is usually a Buyer cost. Payment pre-arrangements "must be made" with the Rater before HERS Rating is ordered: 1) may be paid at time of Rating, 2) may be paid in escrow as a closing cost or 3) May be made part the EEM costs

POTENTIAL ENERGY IMPROVEMENTS:

Following is a list of improvements that may be added to an Energy Efficient Mortgage, providing the calculations find them "cost effective". Actual improvements cannot be identified until an energy audit (rating) has been performed on the home by a certified HERS (Home Energy Rating System) provider. Only then based on the existing condition of the home can the actual improvements be identified. The following is not a complete list, but one that will provide you with a better understanding of the potential opportunities the Energy Efficient Mortgage has to improve the comfort, value and reduce the operating expense of a home.

Central Heating/Cooling (addition or replacement)	Dual Pane Low E Windows & Sliding Glass Door
Replace Wall Heating Unit(s)	Exterior Doors & Sun Screens
Test & Seal Ductwork for Leaks	Attic & Wall Insulation
House Leakage Diagnostic Testing	Water Heater Replacement