

“Green Mortgage?”

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“Energy Efficient Mortgage” aka “EEM”

- FHA Loans 203b, 203k & Streamline K
- Finance 100% of the “Energy Package”
- Cost of the improvement are less than the Present Value of the energy saved over the useful life of the improvements
- Energy rating must be performed by a trained energy rater

“EEM”

- “Stretched” debt to income ratios on a manual underwrite otherwise DU “Approved/Eligible” only
- Improvement money is set aside in an escrow account with the lender
- Fees for the energy rating report can often be included in the new loan
- Purchase can close before work is done!

“EEM”

- Final loan amount can exceed the FHA maximum loan amount for the county (\$346,250) by the cost of the improvement
- The work must be completed within 90 days of the COE
- The maximum is 5% of the property's value or \$4000 whichever is greater not to exceed \$8000

“EEM”

- Examples of improvements that can be made;
 - Replace a furnace/cooling system
 - Fixing or replacing a chimney
 - Insulating an attic or duct work
 - Replacing doors and windows
 - Installing active and passive **solar technologies**

Alternative Ways to Finance Energy Efficient Improvements

- If the costs of the improvements exceed the \$8000 maximum or the home needs more improvements than just the Energy Efficient items then a Renovation Mortgage might be the answer
- FHA 203k or Streamline K
- Fannie Mae HomeStyle Loan

Alternative Financing

- The FHA 203k and Streamline K offer an opportunity to finance the improvements that the home needs that often times might prohibit the home to be financed by FHA altogether.
- For amounts over \$5,000 and less than \$35,000 a Streamline K is a great option
- For amounts over \$35,000 the 203k is required

Alternative Financing

- The home must appraise for the purchase price plus the cost of the improvements before purchase
- The buyer can finance the costs plus up to 6 months worth of payments on the new loan as long as they don't occupy the property

Alternative Financing

- The work typically needs to be done by a licensed contractor or contracted with a GC
- Money is held in escrow by the lender until the work is completed, draws are ok
- Any funds left over after completion can be used for small items or be used to reduce the mortgage balance, no cash back

Now is the time to refi!!

- Encourage your clients that are considering refinancing to “Go Green” and add energy efficient improvements to their home that they can finance
- FHA will do 85% LTV for cash-out refinances
- Interest rates for mortgages are at 40 year lows