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IBS ADVISORS
INTEGRATED BUILDING SCIENCE

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FHA Threatens Energy Improvement Financing

Brett,

The Department of Energy is working with HUD and FHA to help the mortgage markets address the issues of financing energy efficiency improvements. I have [proposed](#) a low-cost solution that would have a dramatic positive impact on both residential energy efficiency and the mortgage markets, using the existing Residential Energy Services Network (RESNET) system which was developed by the National Association of State Energy Officials (NASEO), Energy Rated Homes of America and the national Mortgage Bankers Association... back in 1995!

There are three different types of financing available for energy efficient upgrades to a home. For a new home, there are Energy Efficient Mortgages (EEMs) that take into account the energy efficiency of the new home and the effect on cash flow for the homeowner. For existing homes, there are Energy Improvement Mortgages (EIMs) that can be used to finance energy improvements at time of sale or the homeowner can get an additional loan to pay for energy upgrades well after the purchase of the home. Both of these mortgage products are backed by the FHA and the VA.

The third type of financing involves making energy efficiency improvements to an existing home which are financed through a special tax assessment placed on the property. A local government raises money through a bond of some type and then uses those funds to loan money to homeowners to make energy efficiency upgrades. These loans are paid back over a 20 year special property tax assessment which stays with the home even if

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**Department of Energy
RFI for Energy Rating
Program Update!**

RESNET, Efficiency First! and BPI have joined forces in responding to the DOE's request for information on a new home energy rating system. Each of these organizations are signing a general joint statement, and will issue individual statements as well detailing the specifics of their positions. Perhaps we won't have to pay to have the wheel reinvented after all!

ownership transfers. This type of financing, known as Property Assessed Clean Energy (PACE), has been authorized by more than 20 States and has now run afoul of the Federal Housing Administration's Freddie Mac and Fannie Mae, which now guarantee over half of the home mortgages in this country.

It seems that collecting these special liens would take precedence over the mortgage should the homeowner default on their loan. FHA's unwillingness to play along is understandable, given their recent history in the mortgage industry.

However, the other two options, the EEM and the EIM, are accepted and very useful tools to move energy efficient homes and products into the hands of homeowners. Nearly every bank offers some type of energy mortgage, and nearly every mortgage person is unaware that they have this incredible tool in their portfolio. If you are interested in stimulating the economy or just want to sell houses, you should be looking at these mortgage products with your preferred lenders.

These mortgage products require an assessment of the existing home which involves inspections and testing before the improvements are made and after they are finished by a RESNET-certified Home Energy Rater. The software tools used by these Raters produce reports for the mortgage underwriters and appraisers, so the value of the improvements can be considered.

Oddly, the Department of Energy is pushing FHA into supporting PACE loans while neglecting the history of EEMs and EIMS with the Home Energy Ratings industry.

IBS Advisors is offering our next HERS Field Inspector and Rater course on South Padre Island, July 21-23 & 28-30. Untouched by the Gulf oil crisis, South Padre has beautiful beaches, friendly people and loads of family fun (a water park, dolphin watching, SCUBA diving).

For more information and to sign up for the course, please click the link below.

[Home Energy Rater Course](#)

Decision by Committee

An interesting phenomenon takes place when people make decisions in groups: a lone person rarely stands

What our students say:
 "Excellent instructor, who is extremely knowledgeable in this field and made the class interesting."
 -Josh D.

Builders Tax Credit Update

This extension has come up before the Senate has been filibustered three times- not for the tax credit extension, but for the controversial legislation it is attached to. Two Senators have jumped the aisle and when Senator Byrd is replaced, there will be more than the 60 votes needed to overcome the expected fourth filibuster. Just in case replacing Senator Byrd takes too long, there is a Plan B. RESNET is working with legislators to get the tax credit attached to

against the crowd, even if they know the crowd is wrong! In fact, the individual often thinks that there is something wrong with themselves because so many people couldn't be wrong. As a leader, this can become frustrating when you are really trying to get ideas collected from a group of individuals and all you get are a bunch of people who say, "I agree with Bob." What happened to honest discussion and the exchange of ideas in a fear-free forum?

I recently posted a [blog](#) on this, and discussed this phenomenon, options for dealing with it and my viewpoint on the leader's role in making decisions.

something less controversial.

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