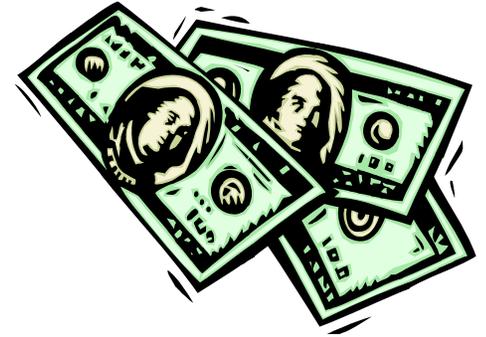


Energy Efficient Mortgage



- Eligibility/Requirements:
 - Existing 1- 4 unit properties and New Construction are eligible
 - Cost of the energy improvement must be “cost effective” and be less than the Present Value of the energy saved

Energy Efficient Mortgage

- EEM can be used with:
 - Section 203(h) program,
 - Section 203(b) program as purchase or refinances,
 - Section 203(k) rehabilitation,
 - Section 234(c)



ENERGY EFFICIENT MORTGAGE

- Weatherization:
 - For existing properties, energy related weatherization items may be combined with the EEM, where the max. dollar amount allowed under the EEM does not cover the cost of the entire energy package, and
 - The energy efficient improvements must be cost effective in order to be included into the mortgage

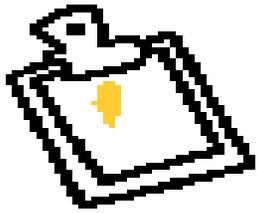
EEM Facts



- Single largest housing expense after a mortgage payment are utility costs
- Using the EEM to make your home more energy efficient saves on utility costs
- EEM allows a borrower to finance 100% of the expense of a cost effective “energy package” subject to certain dollar limitations without an appraisal of the improvements, additional down payment or additional qualifying

EEM Facts Continued

- The mortgage is initially underwritten as if the energy package did not exist by using standard FHA underwriting guidelines and down payment requirements.
- TOTAL Scorecard may also be used for underwriting EEMs. With an “accept” or “approve” on a mortgage application, FHAC will recognize the risk rating from TOTAL and permit the increase to the mortgage amount without re-underwriting or rescoring



Energy Efficient Mortgage

- Cost of the energy improvements, including maintenance costs, and the estimate of the energy savings must be determined by a home energy ratings system (HERS) representative or energy consultant
- HERS report must be in writing and provided to the prospective borrower and lender
- Copy of the HERS report must be submitted in the case binder

Calculating the maximum amount of the energy improvements

Per ML 09-18

Maximum amount of the portion of the EEM for energy improvements is the lesser of 5% of:

- The value of the property, or
- 115% of the median area price of a single family dwelling, or
- 150% of the conforming Freddie Mac limit.

UFMIP is calculated on the base mortgage amount, which includes the cost of the energy improvements.

Example using a property value of \$300,000

1st calculation – 5% of the value of the property:
 $\$300,000 \times 5\% = \$15,000$

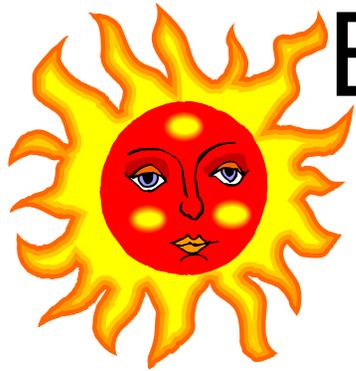
2nd calculation – 115% of the median area price
(use \$300,000)
 $\$300,000 \times 115\% \times 5\% = \$17,250$

3rd calculation – 150% of conforming Freddie
Mac Limit (use \$417,000)
 $\$417,000 \times 150\% \times 5\% = \$31,275$

Use the lesser of the 3 calculations

Energy Efficient Mortgage

- Escrow account may be established for no more than three months after loan closing
- Escrow account must be insured and be established at a financial institution supervised by a federal agency
- If improvements are not completed in 90 days, the lender must apply funds held in escrow to the principal balance of the mortgage.



Energy Efficient Mortgage

- Lender to execute Form HUD 92300 to indicate EEM has been established
- Once the repairs have been completed, the lender is responsible for closing out the repair escrow in FHAC
- Installation of the improvements may be inspected by the lender, the HERS, or an FHA fee inspector