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In this edition, I want to highlight two exciting new announcements that will interest the mortgage industry and its customers: a new mortgage insurance product that will help current homeowners make energy-efficient home improvements, and a new consumer video series that will help potential homeowners make wise home-buying choices.

FHA PowerSaver

Improving American homes to make them more energy efficient presents an excellent opportunity to simultaneously reduce homeowners' utility bills, expand the number of green jobs, and allow more homeowners to live in greener, healthier homes. But several barriers, including a lack of financing options for energy-efficient retrofits, have prevented a self-sustaining retrofit market from forming.

This Administration has placed a priority on enabling more homeowners to improve their homes' energy efficiency, and FHA is bolstering that priority with a new mortgage insurance product. Announced today by Vice President Biden and Secretary Donovan, FHA PowerSaver will extend financing for credit-worthy borrowers to make cost-effective, energy-saving improvements to their homes.

PowerSaver will begin as a two-year pilot program launching in early 2011, and we are seeking a limited number of lenders to participate. To be eligible, lenders must be approved participants in either the FHA Title I or Title II programs. If selected, lenders will be required to target PowerSaver loans to markets that have already taken affirmative steps to expand home energy improvements. We are aware of many such markets in both urban and rural areas across the country, and FHA and the Department of Energy (DOE) will help lenders identify eligible target markets.

For more information, go to:

<http://www.hud.gov/offices/hsg/sfh/hsgsingle.cfm>.

FHA has carefully designed the PowerSaver product to meet the marketplace need for retrofit financing while ensuring that FHA is not subjected to unnecessary risks. Key product features include:

- PowerSaver loans will only be available to borrowers with credit scores of at least 660, total debt-to-income ratios no higher than 45 percent, and combined loan-to-value ratios (including the PowerSaver loan) of no more than 100 percent.

- FHA insurance will cover up to 90 percent of the loan amount. To incentivize responsible lending, participating lenders will retain the remaining risk.
- Consumers will be able to borrow up to \$25,000 with loan terms up to 20 years. Interest rates are expected to be 5 - 7 percent, comparable to or lower than other home-improvement finance options.
- Loans will be secured by mortgages or deeds of trust, which will be in subordinate position to the first mortgage on the home. Loans will be limited to owner-occupied, detached single-family properties.
- Loan proceeds must be used to make proven cost-effective, energy-saving improvements based on a list of measures published by FHA and DOE. Examples include insulation, duct sealing, energy efficient doors and windows, energy efficient HVAC systems and water heaters, solar panels, and geothermal systems.

FHA will select lenders to participate based in part on their commitment and capacity to provide the lowest cost financing for consumers. We recognize that small loans for home energy retrofits may have relatively high transaction costs for lenders, so FHA will deploy up to \$25 million in grant funds to support lenders' efforts to decrease costs to borrowers.

Participating lenders are not required to utilize these incentive payments, but lenders planning to provide bona fide benefits (e.g. lower interest rates or servicing costs) to borrowers may be eligible to receive them. All participating lenders will receive streamlined insurance claims for PowerSaver loans.

Lenders interested in participating must submit an Expression of Interest using the template and following the instructions provided in the [Federal Register Notice](#) on HUD's website. FHA will host two live webcasts that will give interested lenders an overview of the program and an opportunity to ask questions. Webcast schedules and instructions for registering will be available on HUD's website.

I strongly encourage all lenders with the commitment and capacity to provide PowerSaver loans to apply. Participating lenders and eligible target market communities will be announced early next year.

Consumer Videos

In today's housing market, the home-buying process can seem complicated and overwhelming to consumers. To help make the process more transparent, we partnered with the National Association of Realtors (NAR) to release three consumer education videos. Each video will help homebuyers navigate a critical part of the home-buying process and will enable them to make informed decisions at each step. The videos include:

- *Shopping for your Home*- The first video informs potential homebuyers how to assess how much home they can afford, how to work with a real estate agent and what to do when they find the home they want to purchase. It also discusses the role housing counselors can play in assisting with issues including home buying, fair housing, and foreclosure prevention.
- *Shopping for your Loan*- In this video, consumers learn how to use the Good Faith Estimate (GFE) to identify key loan terms and costs for a particular offer. The video also advises potential homebuyers to compare GFEs from multiple lenders to determine the best loan for them.
- *Closing the Deal*- This video walks consumers through the closing process and shows them how to use the HUD-1 Settlement Statement and GFE to ensure the loan they were offered closely matches the one they receive at closing.

All three videos are available on HUD's website and [YouTube channel](#).

Both the Power Saver loan product and these instructional videos are examples of our ongoing efforts to better serve current homeowners and potential homeowners in the modern housing market. I hope you, our industry partners, will welcome these new initiatives.

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