

RESNET Policy on Energy Efficient Mortgages

Adopted by the RESNET Board of Directors, September 11, 2006

Energy efficient mortgages have been around for decades but largely have not been taken advantage of. In the past few years the secondary mortgage market has streamlined the underwriting process for the energy mortgage product. Fannie Mae has made the process seamless for the lender and the rater. Yet despite these infrastructure improvements and rising energy costs the demand for the product has not increased.

There are several reasons for this.

The first reason is that on the most part lenders, the housing industry is not aware of the products and their benefit. The secondary mortgage markets of Fannie Mae, Freddie Mac, FHA and VA have not aggressively marketed the products nor sustained an education effort to lenders. Fannie Mae had started an effort but has dropped it and reassigned staff that were promoting the product.

The second reason is that the value of the energy efficient mortgage was limited because it was aimed at primarily at boosting an applicant's income for qualifying for a mortgage loan. There are many other products that are more effective at this strategy. Focusing on boosting income for qualification ignores that fact that energy costs are the highest cost of homeownership outside of the principle and interest of the mortgage loan.

With the growing political concern over high energy costs and climate change RESNET has reconsidered its strategy on energy efficient mortgages. Despite the weak performance to date in penetrating the market, RESNET has not given up on their promise, after all that is why home energy ratings and RESNET were created in the first place. Instead RESNET is striving to create a new reality on what it will really take to mainstream energy efficiency in the mortgage process.

The RESNET Board of Directors has adopted two policy recommendations on energy efficient mortgages. They are:

RESNET urges Congress to adopt as federal policy that by 2020 new homes be 50% more efficient than today's home. The policy would also be that as government chartered corporations Fannie Mae and Freddie Mac have a responsibility to assist in meeting the goal and must prepare a plan to Congress on how they will assist in meeting this policy objective and

report annually on progress. – Since the federal lending institutions are chartered by Congress they have a responsibility to assist the nation in meeting its goal of dependence on imported oil. This is a logical conclusion of the new homes tax credit that was established in the Energy Policy Act of 2005.

RESNET urges the federally sponsored secondary mortgage market to change their calculation of housing costs to include "principal, interest, taxes and insurance minus energy savings with the energy savings coming from a certified home energy rating. - This would be an important boost to mainstreaming energy efficiency because in the mortgage loan the energy savings would dollar for dollar reduce the housing costs in calculating a person's loan qualification.