



# Financing Opportunities for Energy Efficient Homes

## Energy Efficient Mortgage (EEM)

After the mortgage payment, utility bills are the highest and most prominent expense facing homeowners. Poor energy performance and resulting high energy costs often drive a home out of the buyer's price range, rendering the home unaffordable. Homeowners seeking to make energy efficient remodels and homebuyers in the market for both new and existing construction in need of energy efficiency upgrades should all consider applying for an Energy Efficient Mortgage (EEM) to help cover their energy efficient investments.

When awarding an EEM, lenders consider the financial savings from energy efficiency and allow borrowers to qualify for higher mortgages than they would traditionally receive. EEMs award an additional 5% of a property's value or \$4,000, whichever is greater. The maximum additional EEM funding is \$8,000. This \$4,000-\$8,000 added to the mortgage is allocated for energy efficiency installations and upgrades. The value of the EEM is dependent on a HERS report that will make recommendations for energy efficient upgrades, provide the cost and savings of the upgrades, and give the total annual energy costs before and after the upgrades.

The Federal Housing Administration (FHA) and HUD insure the EEM, which can be incorporated into new mortgages, but the EEM can also be applied when refinancing an existing home loan. To qualify for an EEM, borrowers must be able to make a 3.5% down payment, have a satisfactory credit history, and a reliable income to make the mortgage payments. There is no discrimination based on income level or age. EEMs can be applied to new and existing detached houses, townhomes, and condominiums.

Borrowers can apply for an EEM with any FHA-approved lender, including banks, credit unions, and mortgage companies. A search engine for FHA-approved lenders is available at [www.hud.gov](http://www.hud.gov).<sup>1</sup>

## Home Energy Efficiency Improvement Tax Credit

Energy efficient improvements made to existing homes in 2009 and 2010 can earn an income tax credit of 30% of costs up to \$1,500. Qualifying projects include installing efficient windows, insulation, doors, roofs, and heating and cooling equipment. Installed materials must be durable, with a guaranteed minimum lifespan of 5 years.

To receive the credit, file IRS Form 5695 with your taxes. If applying for this tax credit, it is important to save purchase receipts and manufacturer's certifications.<sup>2</sup>

<sup>1</sup>HUD (2009) "Energy Efficient Mortgage Home Owner Guide" resource available online at <http://www.hud.gov/offices/hsg/sfh/eem/eemhog96.cfm>

<sup>2</sup>Energy Star (2009) "Federal Tax Credits for Energy Efficiency" resource available online at [http://www.energystar.gov/index.cfm?c=tax\\_credits.tx\\_index](http://www.energystar.gov/index.cfm?c=tax_credits.tx_index)