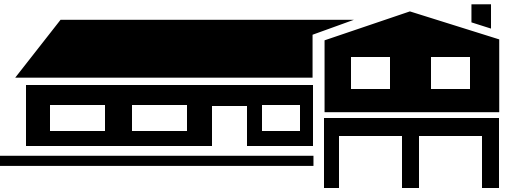


Energy-Efficient Mortgages



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Introduction

The cost of home ownership includes mortgage and utility payments, taxes, insurance, and maintenance. All of us would like to pay less than we do. While we have little control over some costs of home ownership, we can improve the energy efficiency of our homes, thereby reducing the cost of energy we use. Often, the energy-cost savings will more than offset the energy improvement investment. Some common residential energy-efficiency options include replacing incandescent bulbs with fluorescent fixtures; adding insulation; caulking; installing double-glazed, low-e windows; and/or upgrading the heating and cooling system.

What is an EEM?

In general, implementation of major energy-efficiency measures and technologies has a high initial cost that many homeowners can't afford. An energy-efficient mortgage (EEM) allows the homebuyer or homeowner to incorporate the costs associated with higher levels of energy efficiency into the monthly mortgage payment. Implementation of these energy-efficient improvements will result in lower monthly utility bills, allowing a greater portion of the homeowner's monthly income to be available to meet the monthly mortgage payment. Therefore, the homeowner can qualify for a larger loan and purchase a larger, more comfortable home. Also, low utility bills make the home more attractive and affordable to buyers when it comes time to sell.

Qualifying for an EEM

EEM's are restricted to one- or two-unit existing residences and new homes. Most homeowners that qualify for a home loan are eligible for an EEM. The home must be inspected by a qualified home energy rater (cost: \$100 to \$300) to determine the estimated annual savings associated with implementing the improvements. Improvements can only be included in the mortgage if their total cost is less than the total amount of money saved on energy bills throughout the improvements' useful life. Up to \$200 of the cost of the rater's inspection report may be included in the mortgage. The total cost of energy-efficient improvements eligible for financing is dependent upon the type of loan (FHA, VA, conventional) and may also be affected by the housing type.

How an EEM works

The following example shows how a homeowner would typically benefit from an EEM. A home loan on a \$150,000 home was increased by \$4,800 in order to accommodate extra costs associated with adding extra insulation to the attic and walls, and installing double-pane, low-e windows. The monthly payment on this loan rose about \$31, but the monthly energy bills decreased by nearly \$93, resulting in annual savings of almost \$750.



Energy-efficient mortgages in Kansas

For further information concerning energy-efficient mortgages and qualified home energy raters in Kansas, contact the Kansas Energy Star Program with the Kansas Department of Commerce and Housing in Topeka at 785-296-5865, or at www.ink.org/public/kesp.



Further information

For questions regarding this fact sheet or further information on energy-efficient mortgages, please contact Engineering Extension at 785-532-6026. This fact sheet is posted on the Kansas State University Engineering Extension Web page at www.oznet.ksu.edu/dp_nrgy/ees. Other KSU Engineering Extension Fact Sheets posted at this site include the following:

- Tips for Purchasing an Energy-Efficient Home
- Foundation Insulation
- Selecting a Home Heating System
- Selecting a Home Cooling System
- Energy-Efficient Windows
- Residential Insulation
- Air Sealing Your Home



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