

2006 Market Transformation Award Nomination

Organization	Texas Veterans Land Board (TVLB)
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Person Making Nomination	Heather Newell, TVLB Sales and Marketing Manager CitiMortgage, Inc., Program Administrator 14651 Dallas Pkwy., Ste. 250 Dallas, TX 75254 972-774-4923 heather.floyd@citigroup.com

Summary: As a mortgage investor, the TVLB has a long-standing commitment to supporting environmentally friendly building practices and energy efficient homes. Knowing that their Greenbuilding program, which was borrowed from the City of Austin years ago, was out-of-date, they sought an alternate program. They were impressed by ENERGY STAR®, the proven savings and the independent third party - the home energy rater, that would ensure that their veteran and military customers would receive top quality homes.

On January 31, 2005, as Program Administrator, CitiMortgage issued Bulletin 05-04 on behalf of the TVLB, announcing that all new construction homes with sales contracts dated after March 4th would be required to have the ENERGY STAR® rating to be eligible for purchase by the TVLB. In FY 2004, the TVLB purchased over one BILLION dollars in mortgages to Texas veterans, over 60% of those homes were new construction. In making this decision, they are the first mortgage investor to require ENERGY STAR® rather than giving an incentive for it. The direct result of which has been a boon to the home energy rating industry in Texas, as hundreds of mortgage loan officers and home builders seek rating partners to continue their participation in the TVLB program.

Goals of program: As a thank you for their service to their country, the TVLB has as part of its mission the goal to assist veterans, active military, reservists and national guard in achieving their dream of homeownership. "Texas veterans have earned every penny of every benefit we give them as a state," said Jerry Patterson, Chairman of the Texas Veterans Land Board. "It is our duty to make sure they receive all they have earned through their service." Part of that duty is ensuring that veterans receive the highest quality service and product. As a part of the transaction, the home energy rater brings comfort to the TVLB and its customers that they are buying the quality home they were promised. As Program Administrator, it is our duty to work with lenders, builders, REALTORS®, ICF, energy companies and potential raters throughout the state to ensure that Texas veterans have access to raters when they need them and are educated about ENERGY STAR®.

Documentation of penetration in the market place: Re-directing this freight train from Greenbuilding with a tangible checklist that everyone was comfortable with, to a national program, which few in the industry were familiar with, has been a challenge. We are proud to note, however, that since May 2005, over 250 homes have been rated and the loans purchased by the TVLB. As mortgage rates increase, the TVLB program will become proportionally more sought after and that number will continue to grow as veterans seek the lowest cost financing

available. We are also extremely proud to report that home energy raters from around the state have been excellent partners in assisting lenders and builders with the transition. I have received nothing but kind comments about raters from the lending community.

Housing market affected: Bexar County (San Antonio area) is by far the largest producing area for the TVLB program, consequently the most affected by the ENERGY STAR® requirement. However, it was also one of our largest challenges as the local home energy company does not have subsidies for builders who participate in ENERGY STAR® and there were few rating companies compared to the amount of TVLB volume. San Antonio can easily make up 40% to 50% of TVLB's volume on any given month. Other markets affected are Houston, Dallas/Fort Worth, Killeen/Ft. Hood area and El Paso, with other pockets of ratings growing around the state.

How effort affected market trends: This requirement gave some much-needed backing for raters soliciting business from builders, especially in San Antonio where such a large percentage of builders cater to the military. Volume builders whose national offices are listed as ENERGY STAR® but who locally have not participated are now coming on board. Smaller builders are realizing that this is a movement that they will need to embrace or stand to lose precious market share.

How efforts fit into the housing market's infrastructure: San Antonio did not initially have enough raters to cover the volume. However, in a few short months, many rating companies have opened offices there and staffs have expanded. El Paso has also been a challenge. The HERS technical standards did not take evaporative coolers into consideration; consequently, the home energy rater there could not get homes to pass unless they used refrigerated air. The TVLB volume in El Paso plummeted from dozens of homes a month to none. Builders there primarily use evaporative coolers and with the strong "builder market," few if any were willing to change their procedures for the TVLB. It was not until a September TVLB Advisory Panel, with C.T. Loyd present as a rater representative, that we discovered this oversight. Mr. Loyd has been instrumental in assisting the TVLB and El Paso lenders in getting a temporary solution in place until the standards can be addressed.

Describe what activities were undertaken to transform housing market: Memos were sent to every homebuilder association in the state of Texas describing the requirement and educating them how to find a rater partner, and the same memo went to every ENERGY STAR® builder in Texas, at the time were 290 builders. Memos with the requirement were also sent to all the raters and providers detailing how to find the list of TVLB participating lenders in order to market their services. As Program Administrator, we have also coordinated more than 100 meetings for lenders and homebuilders on behalf of the TVLB. The TVLB marketing and outreach staff has also fielded questions from lenders and assisted raters in marketing presentations around the state.

Describe the allocation of resources to the marketing effort: As TVLB Sales and Marketing Manager, CitiMortgage has supported the TVLB's requirement by my travel being unlimited (just check my frequent flyer miles!) and I have been everywhere I was requested in Texas since February 2005.

Describe sustainability of effort: The TVLB will not rescinded the requirement. Texas veterans are building a consumer demand for ENERGY STAR® and rating services through the state. Also, as builders and lenders become more comfortable with ENERGY STAR®, volume will continue to increase.

No subsidies involved unless builders seek their own through TXU or another company.