

**The SAVE Act,
or
How Energy Raters Play a
Crucial Role in Updating
Our Housing Stock**



Introductions

- Bill Fay – Exec. Dir. of Energy Efficient Codes Coalition
- Laureen Blissard – Technical Director of Green Builder[®] Coalition & HERS rater
- Mike Collignon – Exec. Dir. of Green Builder[®] Coalition



The Situation

- US homes & commercial buildings use 42% of all energy, 54% of US natural gas, 71% US electricity
- Building longevity + higher cost of retrofits means US is stuck with energy inefficient buildings for 4-5 generations
- Utility bills are the highest, most unpredictable cost of home ownership
- Low income advocacy groups: Inability to pay energy bills is the 2nd leading cause of foreclosure
- Savings from energy efficient homes put tens of thousands of dollars in the wallets of a home's owners



A Disincentive to Build Green

- Most appraisers do not assign any value to efficiency improvements
- PITI ignores highest cost of maintaining a home
- Appraisals drive mortgage underwriting
- Most underwriters don't factor energy savings in determining the mortgage a borrower can afford
- Builders wary of absorbing cost of efficiency improvements
- Timing: So soon after mortgage meltdown, general wariness to make any changes to buyer qualifications, appraisal determinations



The Problem

Disincentives to green construction dampen support for programs or professionals that boost energy efficiency:

- Incentives
- Codes
- Green building programs
- HERS Raters



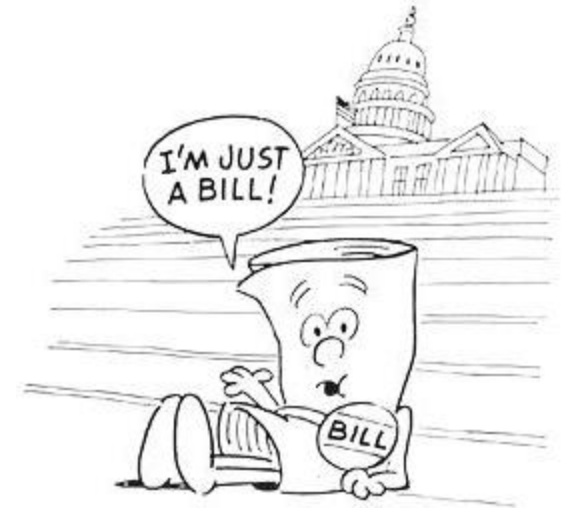
1. SAVE Act



Sensible Accounting to Value Energy

The Solution – SAVE Act

- Corrects blind spot in mortgage underwriting for some loans
- Removes an inherent disincentive to improving new and existing home energy efficiency
- No cost to taxpayers
- Reducing wasted energy from new, existing homes has substantial benefits for national energy policy, U.S. economy



Broad Base of Support from Business, Industry, Appraisers, State Energy Officers, Builders and Environmental Groups



Appraisal Institute™
Professionals Providing Real Estate Solutions



NAM
National Association of Manufacturers



EcoBroker®
THE GREEN DESIGNATION™



ACEEE::30
30 Years of Energizing Efficiency



seea
SOUTHEAST ENERGY EFFICIENCY ALLIANCE



American Public Gas Association



E2
ENVIRONMENTAL ENTREPRENEURS®



MEEA
Midwest Energy Efficiency Alliance



earth advantage institute
Sustainable Building and Climate Solutions

AGA
American Gas Association

CNT
Sustainable Communities Attainable Results

California Energy Efficiency Industry Council
Moving Efficiency Forward



EDF
ENVIRONMENTAL DEFENSE FUND
Finding the ways that work

blowinblanket
contractors association

EPC
ENERGY PROGRAMS CONSORTIUM

Center for American Progress



EfficiencyFirst

BEECN
BUILDING ENERGY EFFICIENT CODES NETWORK

PHIUS
Passive House Institute US

A Win-Win Proposition

- More efficient homes use less energy during peak times – stabilize grids, energy prices to all ratepayers
- Underwriters process more secure mortgages because homebuyer has greater disposable income
- Builders can recover incremental efficiency costs
- Better quality homes: more comfortable, quieter, and higher resale value



Breaking Developments

- Reintroduction of S. 1392 (comprehensive energy efficiency legislation by Shaheen-Portman) ***likely*** to include provisions of SAVE Act
- Bipartisan support in both Senate and House of Representatives
- But . . . Remember, we're talking about Congress!



Additional Facts and Reference Points

- IMT Study: Decreased foreclosure rates for energy efficient homes
- Study: Higher property values for energy efficient homes in CA
- Sandia Labs PV Value





2. PACE Financing

Property Assessed Clean Energy



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PACE Financing

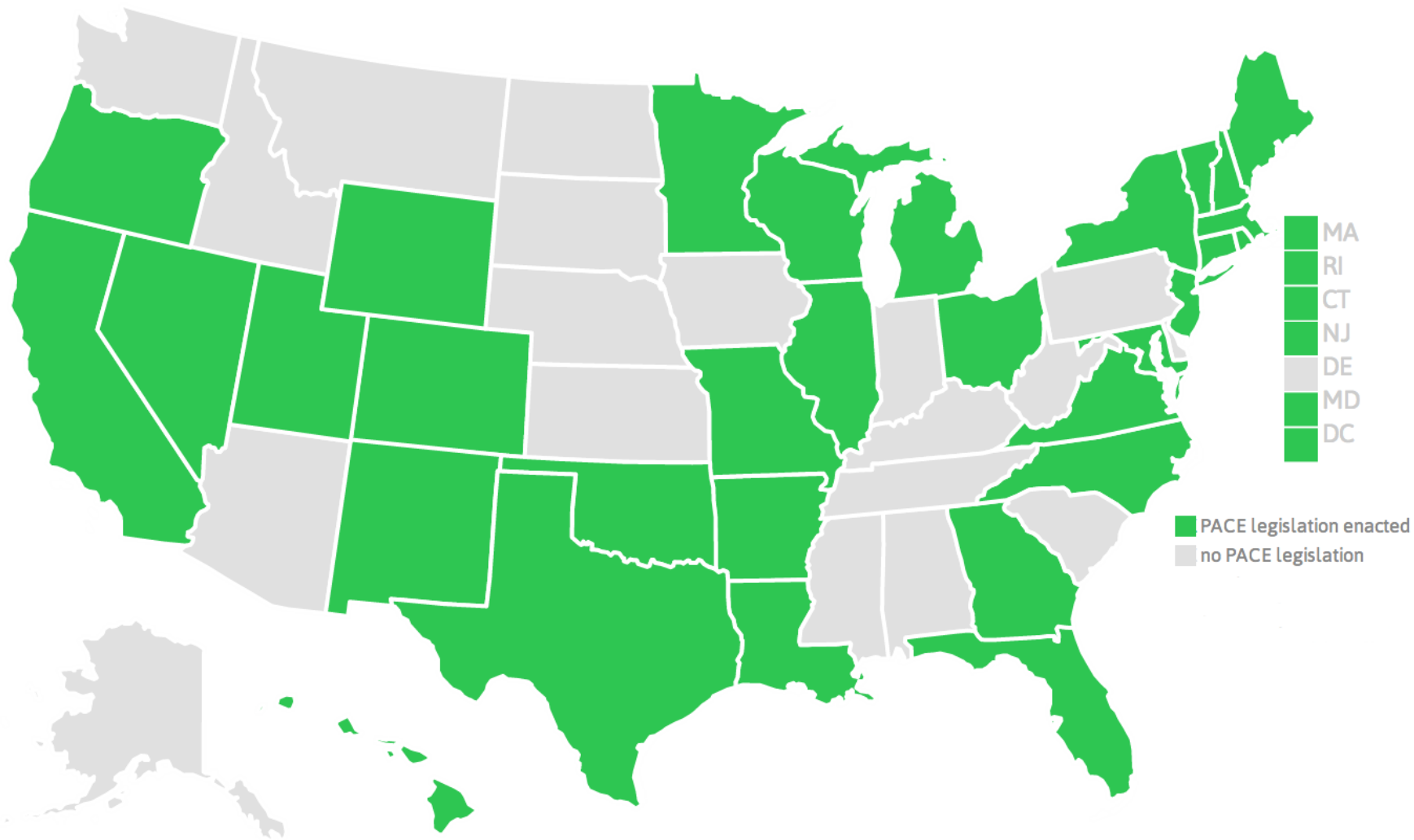
- Property owners agree to a long-term tax assessment in exchange for upfront funding to pay for a retrofit.
- Eliminates up-front costs
- Debt obligation transfers to the new owner upon property sale
- High rate of repayment



PACE Financing

- Originated in CA in 2008
- Federal Housing Finance Agency nearly killed PACE in 2010
- Vermont granted a waiver from FHFA
- 3 counties in CA have funded \$187 Mil
- Gov. Brown: PACE = Jobs & savings
- PACE approved in 31 states & D.C.





Map Courtesy of USBCSD



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3. 203k and Other Incentives



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203k

- What is it?

*An FHA 203k loan lets you purchase or refinance and renovate a property with one loan closing. That one loan closing will also include all of the projected renovation costs and expenses. The funds for the projected costs are then held in a special escrow account and dispersed only after the work is completed and inspected. **Inspections can and must be done by specific third parties based on the size of the loan.***



203k

- What is it?

There are two versions of the FHA 203k loan. The original version from 1978 is called the standard/full loan. It has a \$5,000 minimum but no pre-set maximum. The other is called the streamline loan. It has a \$0 minimum but a \$35,000 maximum. The maximum is always limited by the lesser of the borrowers approval limit, the FHA maximum mortgage limit for the area or 110% of the improved appraised value.



203k

- Requirements

HUD requires that properties financed under the FHA 203k loan program meet certain basic energy efficiency and structural standards. If the scope of work is an addition to an existing structure, the new construction must conform to local codes and HUD Minimum Property Standards in 24 CFR 200.926d. If the scope of work is rehabilitation of an existing structure, then a whole host of strategies are required to be implemented to improve the thermal efficiency of the dwelling.



Other Incentives

- Tax credits
 - CO
 - NY
- Expedited permitting
- Reduced permit fees



4. 2012 & 2015 IECC



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2012 IECC

- Has both prescriptive & performance paths
- DOE: 32.1% more efficient than 2006 IECC
- 1/6/14 *Financial Times* Duke CEO Lynn Good: ***“Improvements in energy efficiency for buildings and appliances appear to have broken the traditional connection between electricity demand and economic growth.”***



2015 IECC

- Prescriptive/Performance Path Virtually Identical to 2012 IECC
- ERI Alternative Compliance Path
 - Zones 1 & 2 52
 - Zone 3 51
 - Zone 4 54
 - Zone 5 55
 - Zone 6 54
 - Zones 7 & 8 53



5. Green Building Programs

- All voluntary
- Many have energy efficiency as one of their base criteria
- Some Nationally based examples:



6. What This All Means for HERS Raters

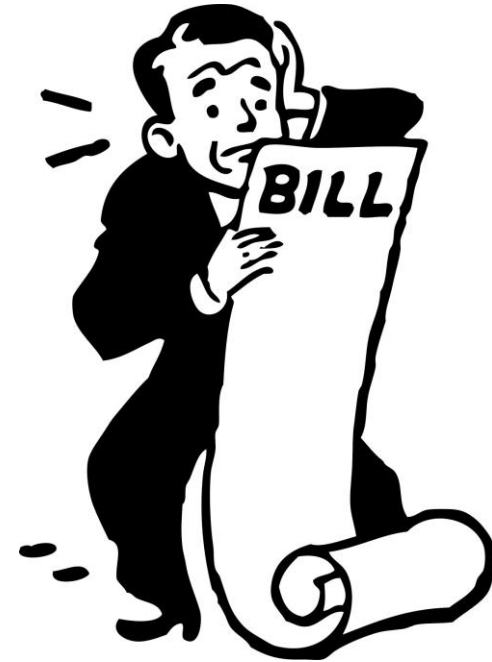
- Most of the technical implementation is going to be the same
 - Modeling
 - Recommended measures
 - Inspections
 - Testing, including RES CAZ

However



6. What This All Means for HERS Raters

- Marketing to New Audiences
 - Underwriters
 - Real Estate Agents
 - Appraisers
 - Builders & Architect / Designers
 - Mechanical Contractors
 - Homeowners & Buyers
 - Municipalities



Final Thoughts

- Contact your Senators and Representatives: Support SAVE Act inclusion in energy efficiency legislation
- Expand your knowledge of green building programs
- Form relationships; Leverage your experience; Build your reputation
- Learn the language of your target market



Q&A / Group Discussion



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Thank You!



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