

Increasing a Home's Market Value "INSTANTLY" Using an Energy Mortgage

Residential energy or health upgrades often require financing.

(Energy mortgages work with all types of residences. It does not matter if they are new or existing or whether they are already energy efficient or not.)

(Also, the energy mortgage can be used for a purchase or a refinance. Learn more at: EnergySmartInstitute.com)



Step 1: Client/Buyer Requests an Energy Assessment

1) Energy auditor and/or home energy HERS* rater conducts comprehensive home performance (energy) assessment.



Step 2

2) The energy assessment is now converted into a home energy rating by a HERS rater and an energy improvement plan is developed to meet the client's objectives.

Step 3

3) Rater and/or client now seek bids from contractors to ascertain the cost of suggested energy improvements.

Step 4

4) Once energy improvement cost(s) are determined, the lender sets-aside these improvement costs in escrow.

Step 5

5) The energy improvement work is then performed on the residence.



Step 6

6) The energy improvements are then tested and verified by the rater. If the rater approves; the lender releases the money from escrow to pay for the energy improvements.

Step 7

7) The lender and buyer/client close out the loan and the buyer now has a more energy-efficient residence. The mortgage payments will go up slightly but the energy bills will go down, many times by more than the increase!

Step 8

8) However we have not even gotten to the best part! Please turn this flyer over to see a simplified example of how these loans instantly add value to a residence.



This information provided by: EnergySmart Institute – EnergySmartInstitute.com



*HERS – Home Energy Rating Systems – Copyright 2020 [Hathmore Technologies, LLC](http://HathmoreTechnologies,LLC) – To print, use letter-sized paper (8.5 x 11") and print in 'landscape' mode

Here's How Energy Mortgages Work

A simplified example for adding market value to an existing single family home by installing energy upgrades using an Energy Improvement Mortgage (EIM).

Purchase Price	Cost of Energy Improvements	Annual Energy Savings \$	Increased Value of Home
\$100,000	\$5,000	\$600	\$12,000

John E. Buyer decides that he wants to purchase a home. He takes the traditional first step and goes to his local lender to find out how large of a loan or mortgage he qualifies for. The lender looks at his credit history, his credit score, income and expenses. From this information, the lender tells Mr. Buyer that he can purchase a home up to \$100,000 (\$100k) in value.

Armed with this information, Mr. Buyer sets out to find a home to buy. He looks at both new and existing homes and decides that he likes a certain existing home. He meets with the owner, Ms. Ima Seller, and finds out that Ms. Seller is asking \$100k for her existing home. Mr. Buyer tells Ms. Seller that he is pre-authorized by the lender to purchase a home up to \$100k. But, Buyer tells Seller that he would like an energy rating performed on the home by a certified HERS rater. Ms. Seller doesn't mind as long as she, Seller, doesn't have to pay for the assessment. "No problem", states Buyer. "The Energy Improvement Mortgage (EIM) includes provisions to help cover the cost of the rating. Seller tells Buyer to proceed.

Mr. Buyer locates a local certified energy rater and asks him/her to perform the rating on the home. The rater or rating field inspector (RFI) performs energy and safety tests to find out how leaky the home is and ensure it is safe to make upgrades. He/she gathers other information about the home; insulation, ductwork, heating/cooling, water heater, lights, appliances, etc.

Once all the information about the home has been gathered it is input into a nationally approved energy modeling software program. The energy software calculates the overall energy characteristics of the home and can also calculate the impacts of energy options (improvements) needed to get the home up to meet Mr. Buyer's objectives. After careful calculations and analysis, the rater tells Mr. Buyer that it will take \$5,000 to update the home. Mr. Buyer takes this information back to Ms. Seller and Ms. Seller informs Mr. Buyer that she's not spending any more money on this home. Mr. Buyer informs Ms. Seller that the EIM will actually cover the additional cost.

Mr. Buyer and Ms. Seller proceed to the lender's office and they all sign the paperwork to get the EIM started. Ms. Seller obtained a valid appraisal that shows the home to be worth \$100k. Once the paperwork is signed, Ms. Seller is now free to go and Mr. Buyer has a new relationship with the lender. At this point, the lender takes the energy rating information which states that \$5,000 worth of energy improvements are needed to update the home. The lender escrows the extra \$5,000 and tells Mr. Buyer to proceed on the improvements. The buyer does not need to requalify. The energy savings indicated by the program provide that qualification; the buyer qualifies for the mortgage, the improvements qualify for the energy mortgage.

Once the energy improvements are completed, verified and approved by the rater and client, the lender releases the escrowed \$5,000 to pay for the approved energy improvements, which increases the house payments slightly. (\$15 per month +/-) But, his energy bills have been shown by the energy rating to go down \$50 per month so Mr. Buyer is saving money (\$35/month) on day one with his EIM mortgage.

However, the real 'magic' of this energy mortgage is that federal law stipulates that for every **dollar** (\$1) in **annual energy savings** that a certified energy rater can quantify using an IRS/DOE/EPA approved energy modeling software program automatically translates into an uncontestable **\$20 increase** in a home's market value!

Let's look at the 4 boxes above to explain this concept: The first box indicates the value of the residence in this transaction or \$100k. The second box contains the cost of the needed energy improvements to bring the home up to energy codes or \$5,000. The third box shows the **annual** energy savings as calculated by a certified home energy rater or \$600. The fourth box is the result of multiplying the annual energy savings of \$600 times \$20 per dollar of energy saved or \$12,000! Yes, this example seems to good to be true but energy mortgages have been around for over 20 years and do really work this way!

So, now the home is instantly worth \$112,000 giving Mr. Buyer instant equity in his home plus lower energy bills! WOW!

To learn more about energy mortgages please visit: EnergySmartInstitute.com



Not Just Smart...
EnergySmart!



Hathmore Technologies, LLC

Phone: (816) 224-5550