

Energy Efficiency and Renewable Energy in the Home Buying Transaction

Nikki Maline

_____, 2016



Energy**Smart** Colorado
at WALKING MOUNTAINS SCIENCE CENTER 

Program Overview

The presentation will be broken up into two parts:



The first part will review the energy efficiency information in the home buying process.



The second part of the class will review how you can use this information and new mortgage options for your clients

What I hope you take away:



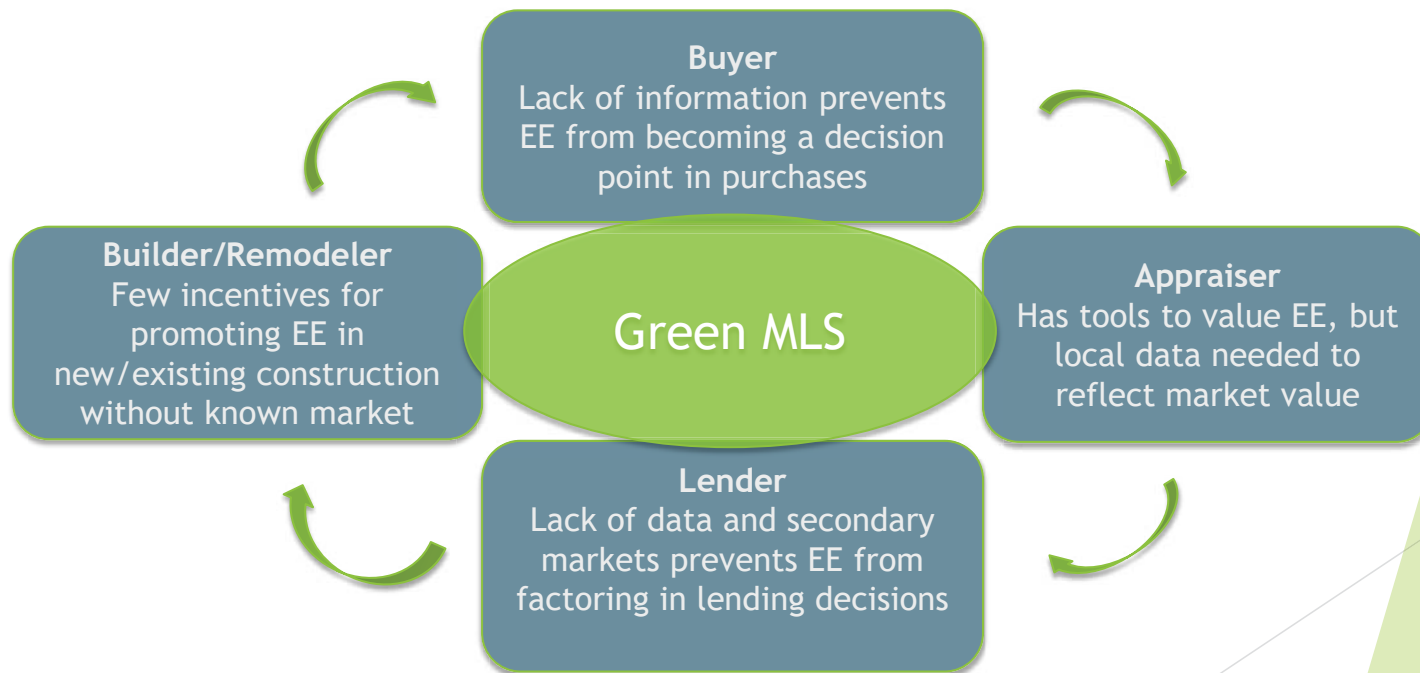
A basic understanding of new tools in the market and how to leverage the tool for your clients



Where to find additional local resources... you do not need to be an expert in energy efficiency.

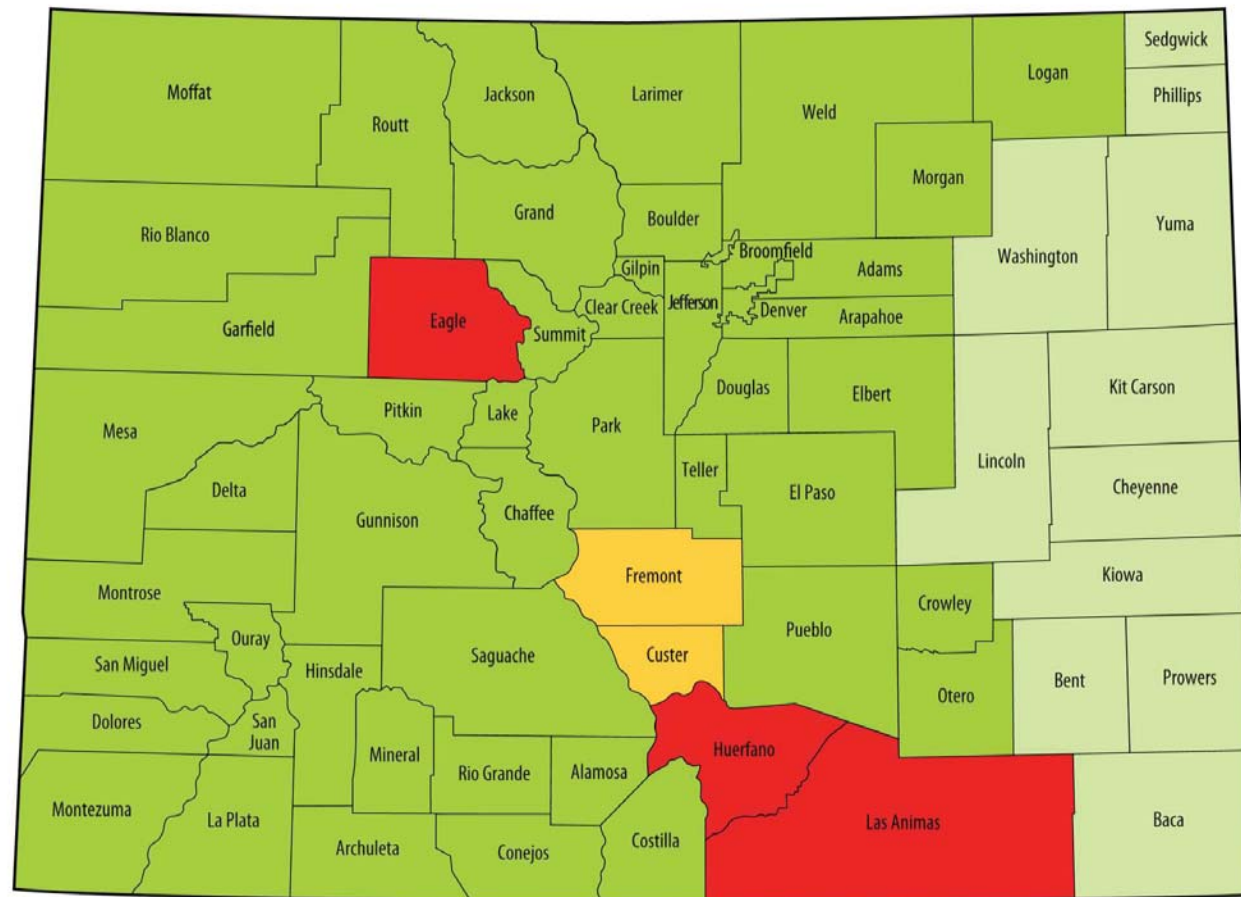
What is the Green MLS

- The Green MLS aims to increase energy efficiency and the use of renewable energy by introducing information into the home buying process
- The effort can be broken into three overlapping phases: Implementing the Fields and Tools, Increasing Use / Retrofits, and Maintaining the Market.
- The ability to value and educate on high performing homes, will increase market penetration of high performing homes.



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Vail Does Not Have a Green MLS, but does have Walking Mountains.




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Working with Appraisers

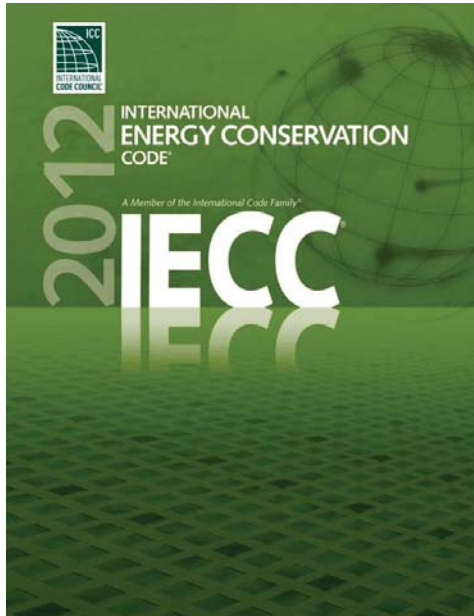
- The Colorado Energy Office has conducted three valuation studies that have been peer reviewed by professional appraisers with key results:
 - Owned Solar PV has a positive market impact and the study home has a premium range of value for the systems \$1.45 per watt to \$2.57 per watt; none sold for less.
 - Energy efficiency's impact is market specific, but appraiser's need more reliable and accessible energy efficiency information
 - In the northwest Denver market non-labeled new homes have the same efficiency levels of ENERGY STAR New Homes, showing market adopting of energy efficiency as a feature.
 - The studies confirm that listing energy efficiency, renewable energy, and “green” should be done when listing properties.

New Tools for Appraisers

	Client File #:		Appraisal File #:	
	Residential Green and Energy Efficient Addendum			
	Client:			
	Subject Property:			
	City:		State:	Zip:
Additional resources to aid in the valuation of green properties and the completion of this form can be found at http://www.appraisalinstitute.org/education/green_energy_addendum.aspx				

- Appraisal Institute Form 820.04, also known as the Green Addendum can be used by all appraisers
- The information includes energy efficiency and renewable energy that can be used in an appraiser's development of opinion of value.
- Walking Mountains Science Center can provide the necessary information.

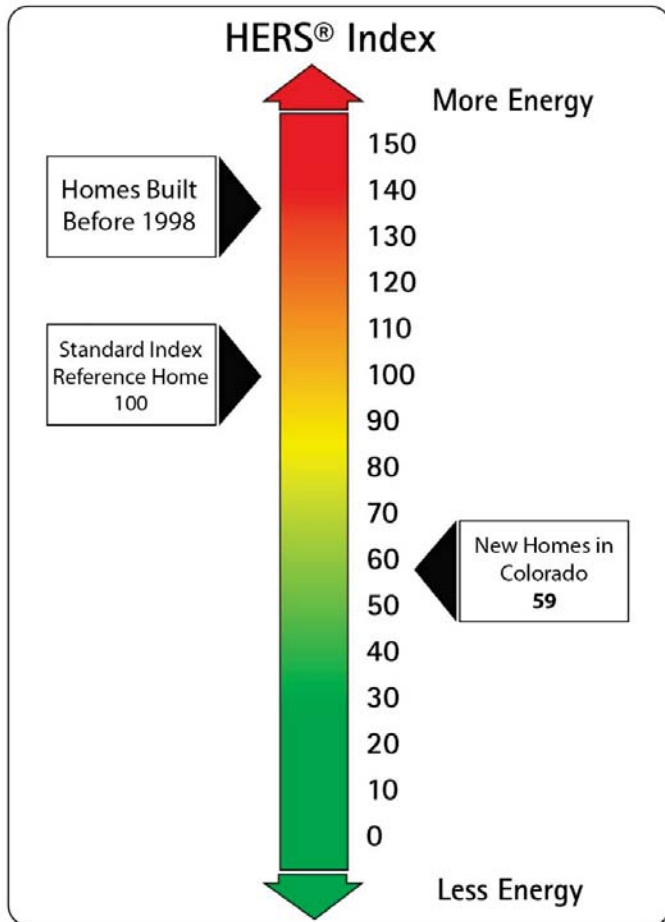
Green Building in Eagle County



ECOBUILD				
Eagle County Efficient Building Checklist				
PROJECT:		ADDRESS:		BP-
1-5	Left column = Inspected (PC: Plan Check; 1: Foundation; 2: Framing; 3: Insulation; 4: Rough-in; 5: Final)			
Quantity Level (QL-as noted per line item): 1 = 10% - 25%; 2 = 26% - 50%; 3 = 51% - 75%; 4 = 76% - 100%				
		1.0	SITE/WATER CONSERVATION	
PC		3-5	1.1	Reduction of turf (Lesser of 25% lot area or 1000 ft2) 3 pts; xeriscape only, 5 pts
5		2	1.2	Low-flow or dual-flush toilet 1.4 gpf or less
5		1	1.3	2.0 gpm or less showerheads
5		1-2	1.4	Water efficient clothes washer and/or dishwasher (energy-star or equivalent)
	0	9	Subtotal	

ECOBUILD Checklist can be found at: <http://www.eaglecounty.us/Building/Permits/Checklists/>

HERS Index Rating



Home Energy Rating System (HERS)

- The HERS Index provided by HERS Raters
- Great tool for builders and code compliance, really only for new homes.
- 47% of all new single family homes received a HERS Rating in 2015, over 8,500 ratings. (mainly front range)
- The average HERS Index Rating in Colorado is 56 or 44% better than a home built in 2006.

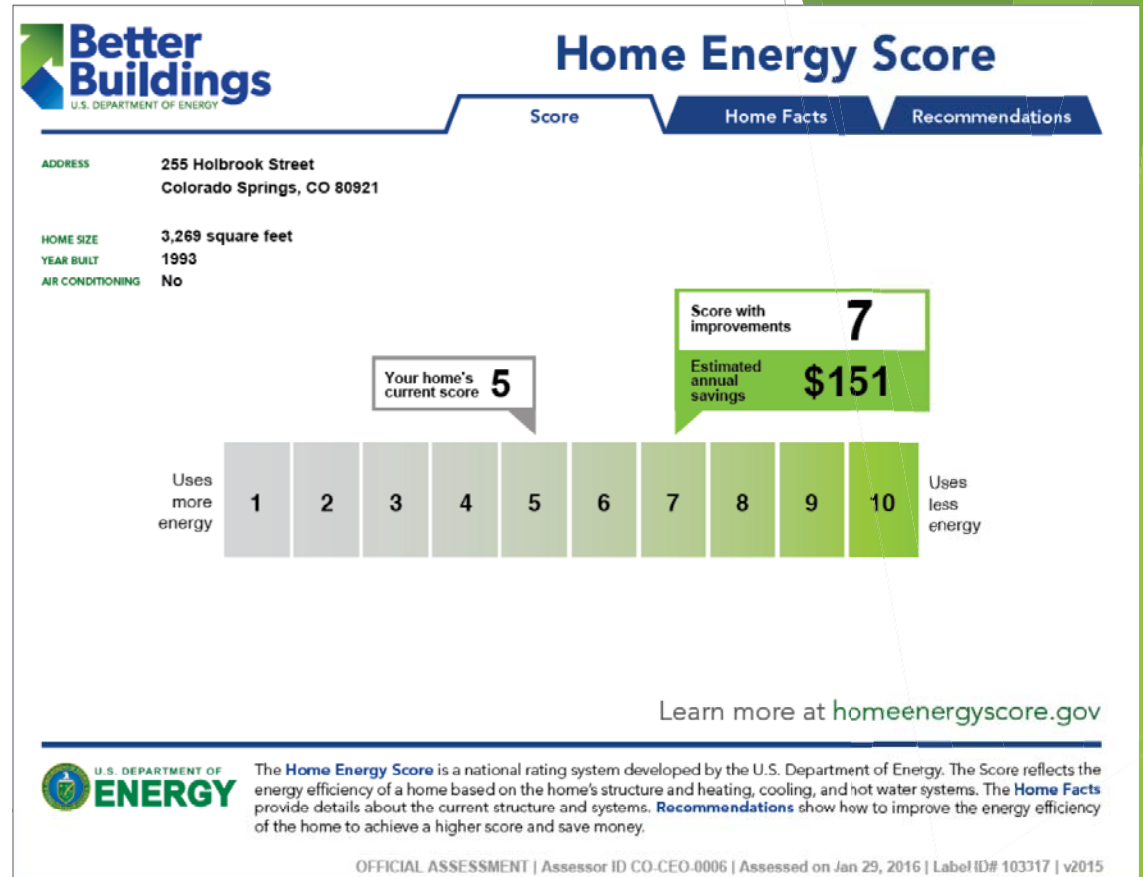
What About Existing Homes?

How the Market has moved forward

- REALTORS® need a low cost tool that can provide reliable data for their clients to continue to show national leadership. (HEScore)
- Link REALTORS® to resources for that can help clients sell or buy an inefficient home
- Continue to conduct valuation studies with professional appraisal organizations and solicit feedback from the REALTOR® community

What is the Home Energy Score?

- A score from 1- 10 that one can use to compare the energy use of homes.
- The scale is set to local conditions, where a 5 is the average home in each location.
- Working on a ratio to compare larger efficient homes
- Only single family homes up to townhomes, no condos

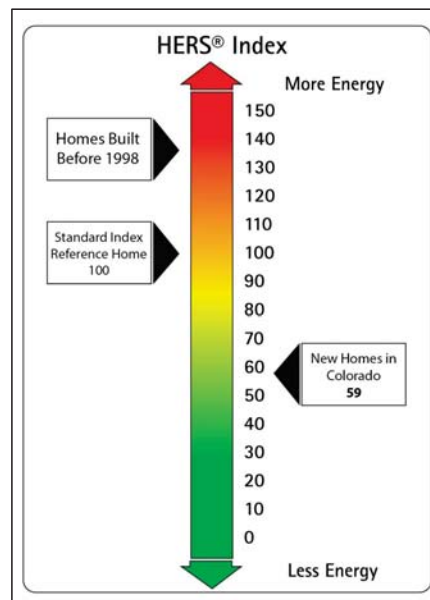


Source: Dept. of Energy

Two Rating Systems: HERS vs HES

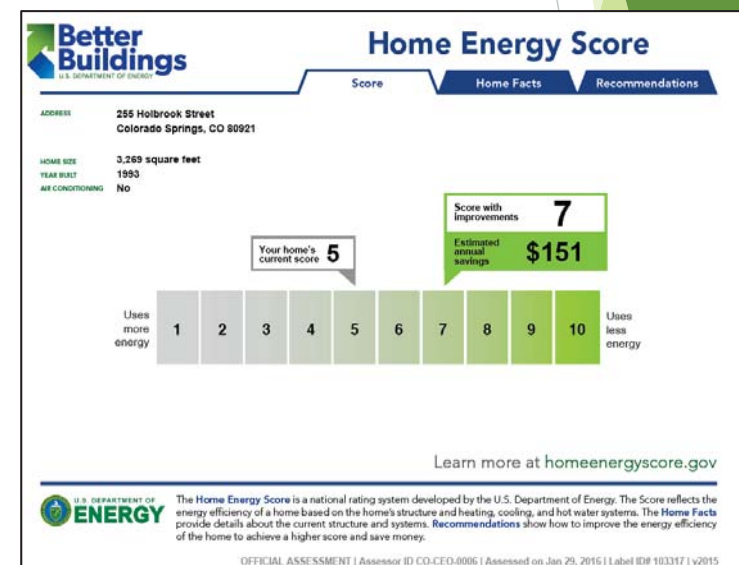
NEW HOMES (program since 2007)

- The HERS Index provided by HERS Raters
- Great tool for builders and code compliance that the state continues to promote.
- 47% of all new single family homes received a HERS Rating in FY15, over 8,500 ratings.
- Train builders not to say a HERS Index of 45, but 55% better than a home built in 2006.



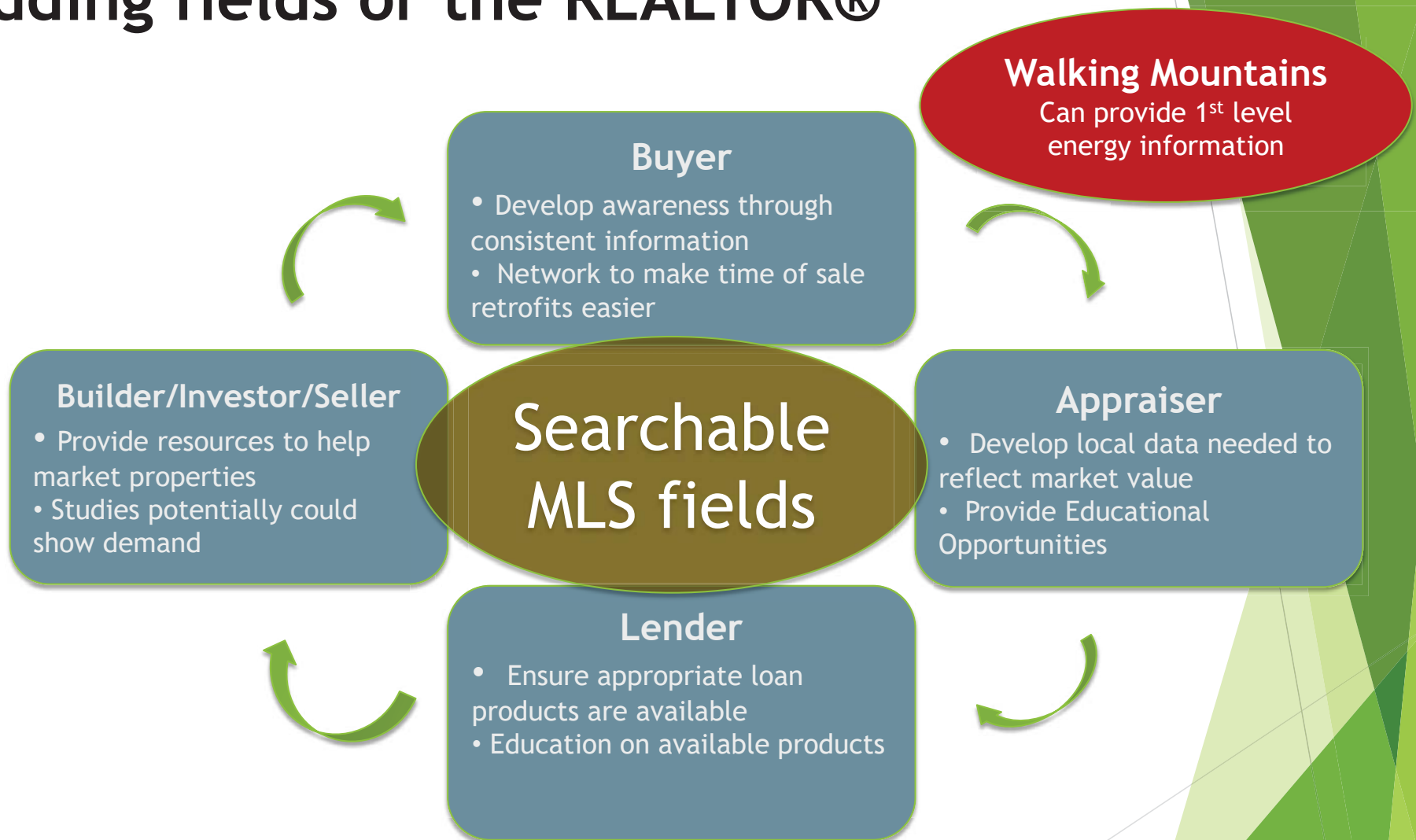
EXISTING HOMES (kicked off Sept. 2015)

- The Home energy Score provided by Qualified Assessor or BPI Raters
- Appraisers can value energy efficiency, but need access better data.
- REALTORS® stated they could only recommend a score that costs less than \$200, ideally \$100.



Source: DOE

Energy Efficiency is not just about adding fields or the REALTOR®



Changing Buyer Preferences

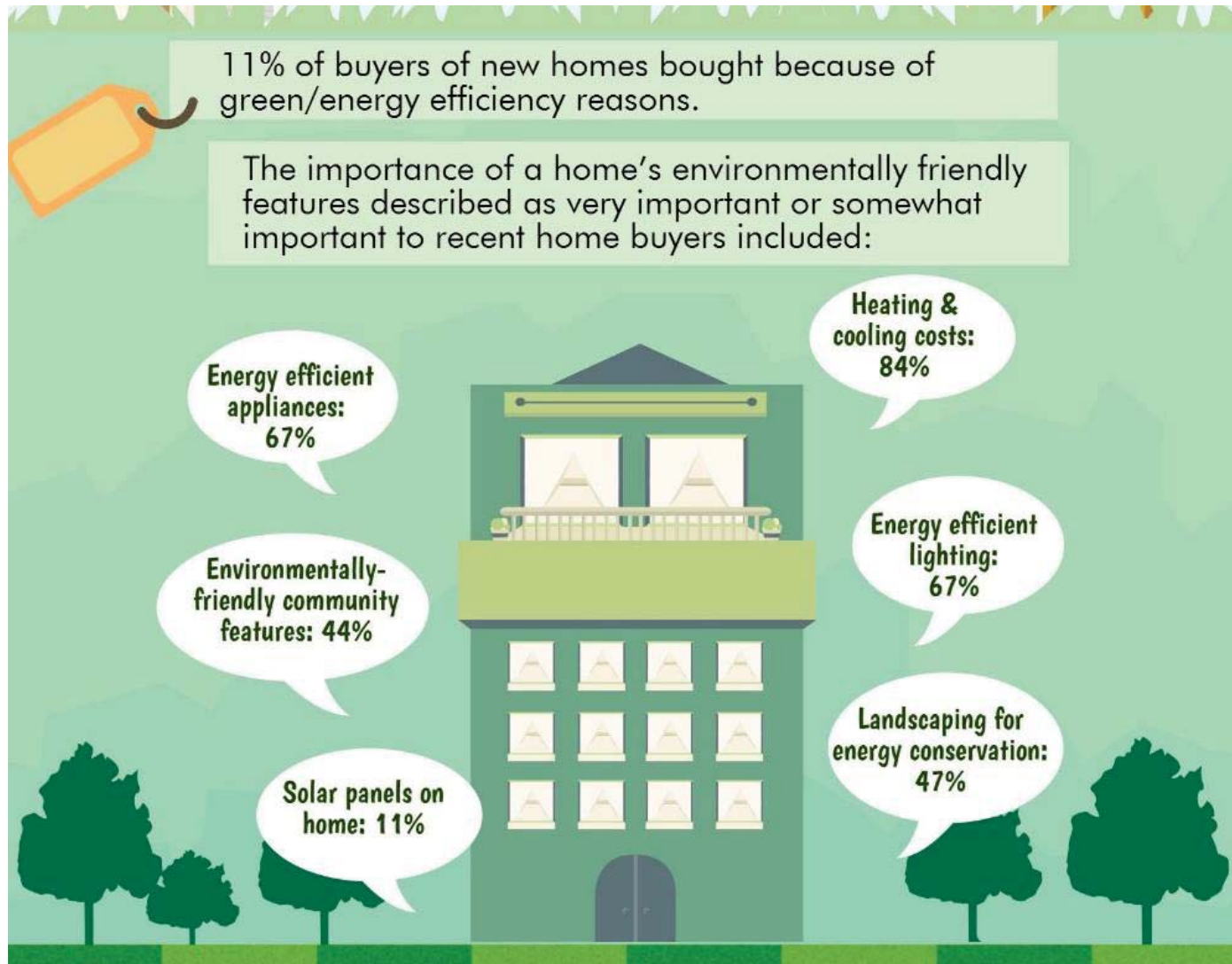
Nationally:

- NAHB most recent study of *What Home Buyers Really Want*:
 - 94% of buyers desired ENERGY STAR appliance as part of their next home, the most desired feature. (93% wanted a laundry)
 - 3 or the top 7 desired features included energy efficient items

Colorado:

- ReColorado data from 2015 shows an increase in marketing data from REALTORS® and energy preferences:
 - 15% of all new home listings had energy within the broker remarks up from 3% in the last 5 years.
 - 7% of all new homes listed with solar
 - 4% of all existing homes had energy within the broker remarks, 5% of the \$400,000 to \$800,000 price range. (up from 1%)

Changing Buyer Preferences



Source: NAR

Is that an Efficient Home?

The easiest way is to have a home that has been labeled:

- New Homes are very easy in Eagle County, just ask the builder for the various building code checklists.
- For an existing home do you want to be providing the information?
Probably, not

Walking Mountains can help:

- Provide 3rd party reliable data that you can incorporate into marketing a highly efficient property including the Home Energy Score or the Appraisal Institute Form 820.04 (the Green Addendum)
- Help your clients see behind walls and truly know how the house performs and keeps you from guessing or putting yourself in a liable position.

Your Seller has an Efficient Home

Three Things You Should Do:

1. If you know the home your selling has efficiency features recommend that your client get a Home Energy Score and highlight features in marketing materials.

Utilize the idea of form, function, and performance

2. Check the EE boxes on the MLS data input form and/ or add information to your remarks: “ENERGY STAR Appliances”
3. Provide all documentation to the appraiser.

Changes in Listings

Form, Function, Performance

Form:

- Hardwoods in living area
- Granite in kitchen
- Stainless Steel
- Appliances

Function:

- Square Footage
- Number of Bedrooms
- Garage Spaces
- Finished Basement

Performance:

- How much energy or water does this property use?
- Is it close to amenities
- Does it have healthy indoor air quality?

\$599,000

164 Juniper Trail
Basalt, CO 81621
MLS# 135602

Status: **Pending**

4 beds | 2600 sqft

Property Description

Shadowrock's exceptional model **4 bedroom home** has all the upgrades. A master bath with steam shower and heated floors. The kitchen with **Viking appliances** throughout. High end finishes include variable width **solid wood flooring, granite and marble** countertops. A **theatre/media room** and whole house stereo system. All that the mid-valley location has to offer including **Whole Foods and Crown Mountain Park**. The home is **LEED certified** and air-conditioned.



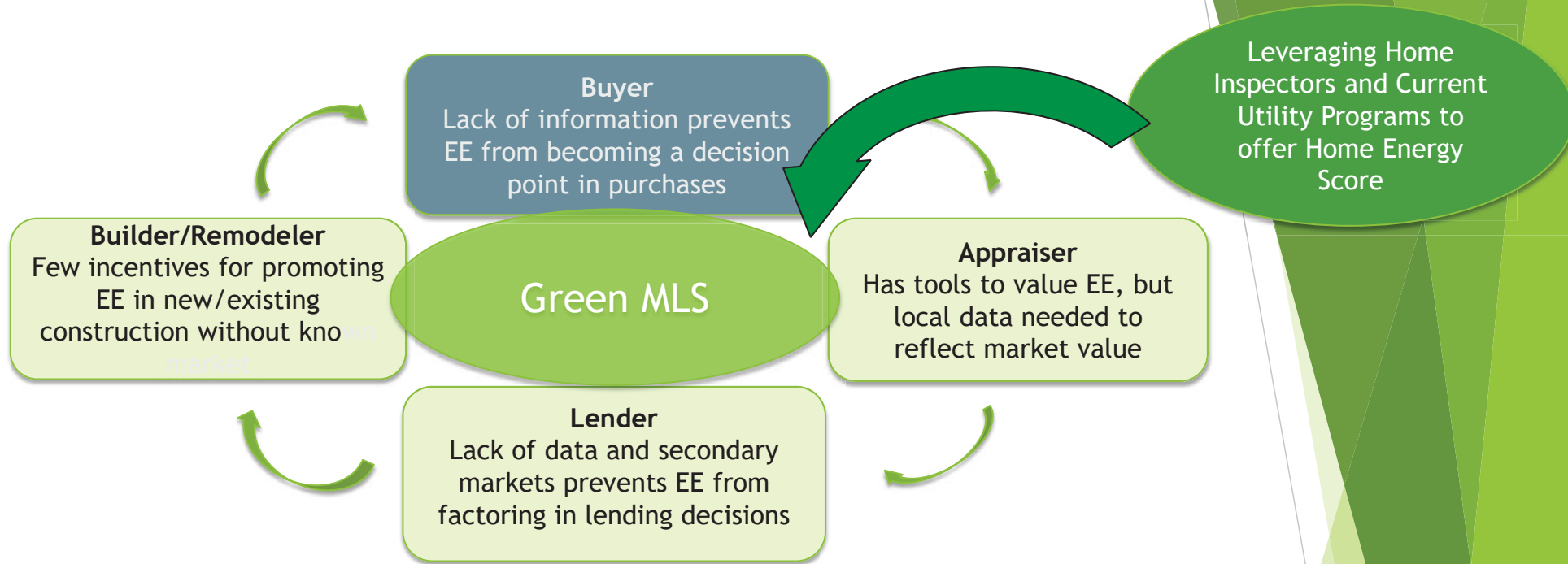
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FHA's Stretch Ratio

Quick highlights:

- In 2015 and 16 new FHA program rules were announced and the changes were incorporated into the SFH Handbook.
- Homes that Score 6 or higher on the Home Energy Score will be eligible to increase their qualifying income ratio by 2%.
- FHA borrowers can borrow more when they buy an energy efficient home.
- New guidebook also has changes to the Energy Efficient Mortgage option

Home Buyer Energy Information



Buyer Needs:

- Provide information to make choices
- Loan Products that do not hold up the real estate transaction

How can these needs be met?

- Energy Smart type programs that offer energy coaching, aka energy concierge, can now also provide the Home Energy Score.
- Have the inspector call out ENERGY STAR equipment for furnaces or hot water heaters, not just replacement.



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REALTOR® OPPORTUNITY

- NAR's D.A.N.G.E.R report analyzed emerging trends that could have an negative impact on today's REALTOR®, MLS vendors, and local boards.
- Danger 5 of 10, the decline in relevancy in agents due to failure to change or respond to changing consumer demands.
- Danger 9 of 10, commissions concentrate into a few hands, as a small group of REALTORS® take a larger share as these REALTORS® develop a winning formula to stay ahead of consumers.



Colorado Energy Office

- The Colorado Energy Office (CEO) is conducting a REALTOR® marketing outreach program for the next two years
- By taking this class the CEO will list you as an energy educated REALTOR® on their website and include a link to your website and contact information.
- The page also has a leader board showing the top REALTORS® with homes that include a Home Energy Score (again only single family up to town homes no condos)
- If you would not like to be listed, please let me know after class on the sign in sheet.

Colorado Energy Office Webpage

Residential Buildings ▾

Home Energy Advisor

Realtors® ▾

Energy Educated REALTORS®

Appraiser Resources ▸

Energy Codes

Home Energy Score Info

Commercial Buildings ▸

K-12 Schools ▸

Agricultural Energy Efficiency

Best in the State of Colorado

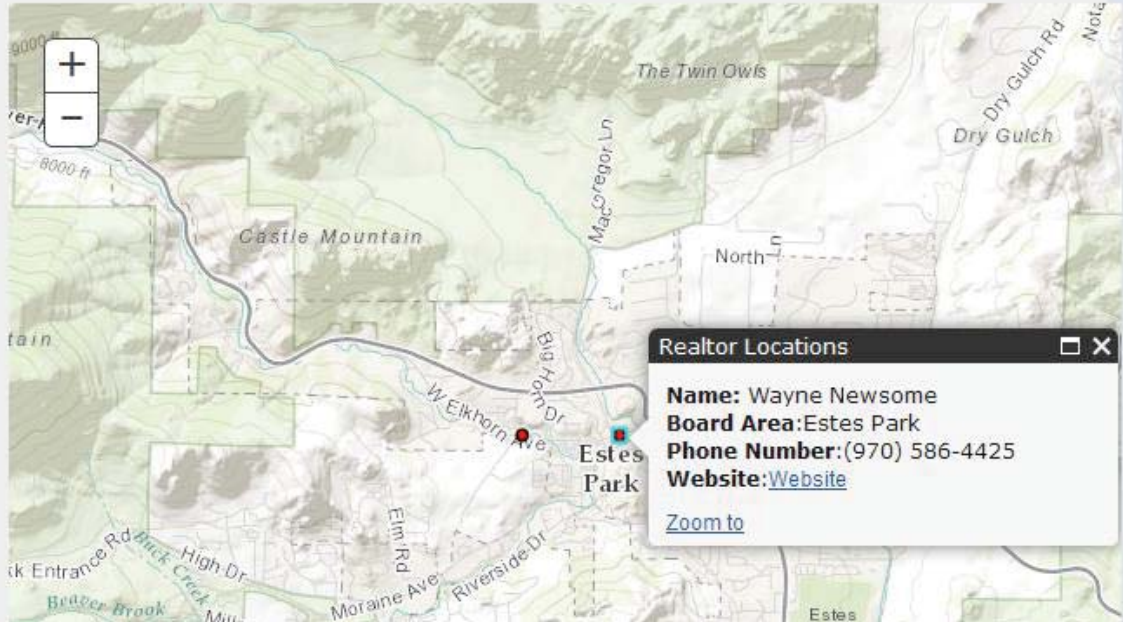
James Mitchell, [The Group](#), Fort Collins, 12 clients with a Home Energy Score

Estes Park --

Jack Smith, [First Colorado Realty](#), 1 client with a Home Energy Score

Wayne Newsome, [Wayne Newsome Realty](#), 1 client with a Home Energy Score

Linda McCrerry, [Peak Realty](#), 1 client with a Home Energy Score



<https://www.colorado.gov/pacific/energyoffice/energy-educated-realtors>

Helping Your Home Buyer Client

- A good place to start is www.energysmartcolorado.com
- Provide a welcome gift of CFL or LED light bulbs even just for one floor or room.
- If a furnace or hot water heater replacement is part of the contract, ask for ENERGY STAR equipment
- Talk with your local FHA/VA approved broker or your conventional Fannie Mae lenders about the Energy Efficient Mortgage feature or renovation loan products
- Know where to send your clients... a local energy coach sponsored by many utilities in the state.



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What Services are Offered for Homeowners?

- Low Cost Energy Smart Home Assessment
 - ☐ Safety Checks & free energy saving installs
 - ☐ Energy Saving Analysis
 - ☐ Recommendations
- Free Energy Coaching - make smart energy saving decisions!
- Contractor Referrals and Assist with Bid Evaluation
- Maximize all utility and local program rebates
- Low Cost Financing for Upgrades - \$1000-\$25,000 -



Solutions for Your Home

Totals

Approximate Cost

\$ 13,000

This is a ballpark guess. Ask your contractor for a detailed bid.

Estimated Savings

\$2,326 per year

This is an estimate of how much you could save starting in Year 1. Savings will only increase as energy prices rise over the years.

Savings to Investment Ratio

Package SIR: 2.4

There are many reasons to upgrade. An SIR greater than 1 pays for itself over the equipment lifetime.

Impact of upgrades

Energy Reduction	32%
Carbon (CO ₂) Savings	9 tons
Equivalent cars removed from the road	1.9/yr

Call us today at 970-328-8777 to ask a question or discuss the next step!

DETAILS	APPROXIMATE INSTALLED COST	APPROXIMATE ANNUAL SAVINGS	SIR *
Thermostats	\$ 300	\$ 468	23.4
Upgrade Lighting	\$ 1,500	\$ 453	2.1
Upgrade Heating System	\$ 8,200	\$ 1,172	2.1
Lower Hot Water Temp	\$ 100	\$ 6	1.9
Upgrade Water Heater	\$ 1,200	\$ 134	1.5
Air Leakage & Ventilation	\$ 1,800	\$ 92	0.8

* SIR is the Savings to Investment Ratio. Simply put, if the SIR is 1 or greater, then the energy savings from the item will pay for itself before it needs to be replaced again. This metric is used to help prioritize the recommendations by financial merit.

Example - Solutions page of Home Energy Assessment

EnergySmart Partners LLC Product Guideline

Energy Smart Colorado Revolving Loan

Credit Metrics	Tier 1	Tier 2	Tier 3
Minimum FICO (Credit Score) <ul style="list-style-type: none"> Each borrower must have a minimum FICO If there are multiple borrowers, the lower the score (regardless of income) must be used for qualification 	<ul style="list-style-type: none"> 700 if salaried (or fixed income) 720 if self-employed less than 2 years 	<ul style="list-style-type: none"> 640 if salaried (or fixed income) 680 if self-employed more than 2 years 	<ul style="list-style-type: none"> 580 if salaried, no self employment
Bankruptcy, Foreclosure, Repossession	None in the last 7 years	None in the last 5 years	None in the last 2 years
Unpaid Collection Accounts, Judgments, Tax Liens	No more than \$2,500 total	No more than \$2,500 total	No more than \$2,500 total
Loan Amounts	Up to \$25,000	Up to \$10,000	Up to \$7,500

Interest Rate and Loan Term Schedule:

Tier	FICO >	60 Month Term	84 Month Term	120 Month Term
1	700	3.75%	4.75%	6.25%
2	640	4.75%	5.75%	7.25%
3	580	6.75%	8.50%	-

<http://www.energysmartcolorado.com/for-my-home-2/financing/>

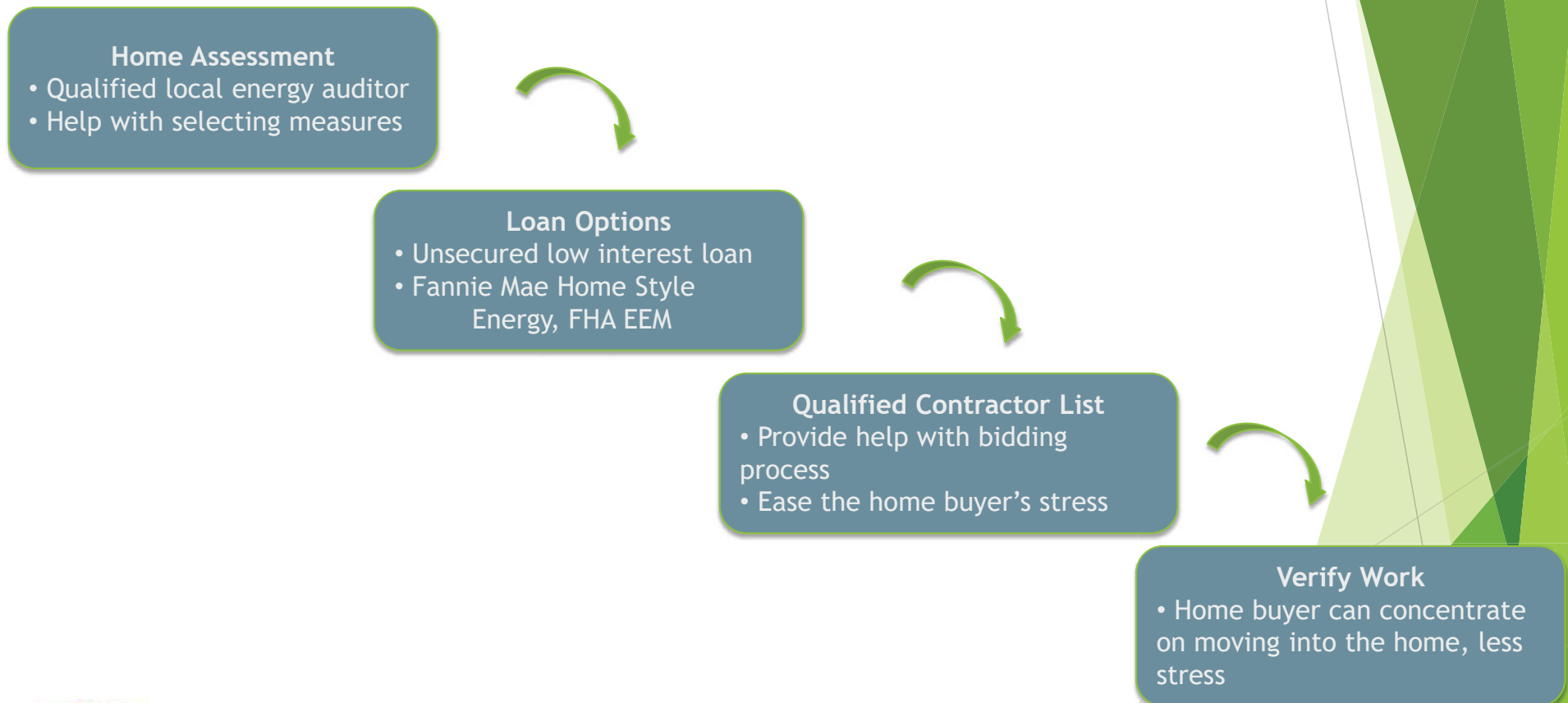


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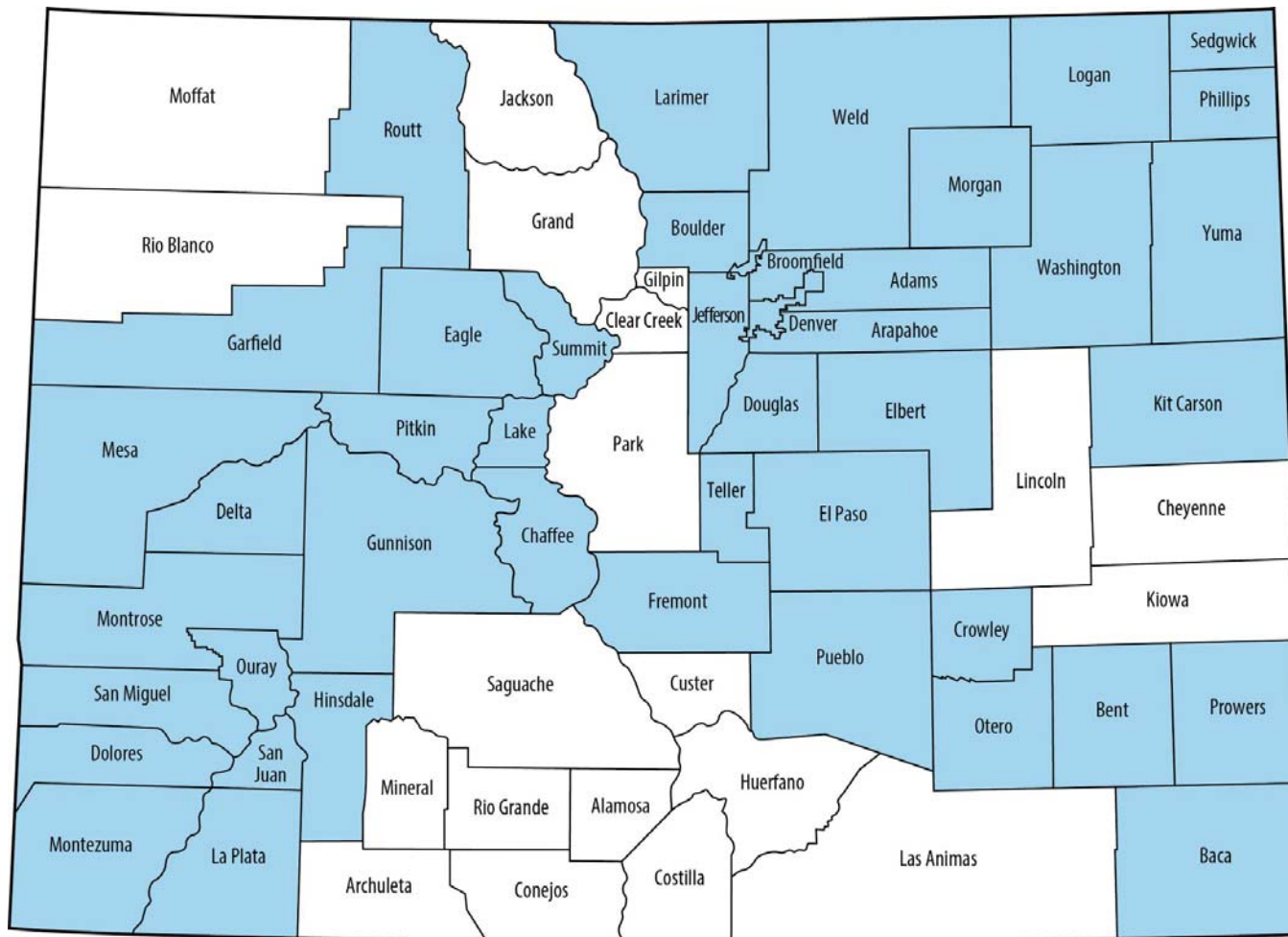


Lessons from REALTORS ®

- The home is a good candidate for a retrofit at point of sale, but it won't happen unless... we provide the REALTOR® training and:
 - The real estate agent or home inspector provides a link to a network
 - The network provides an “energy advisor” service for most clients
 - The process must not delay mortgage closings



Energy Coaching Map*



To obtain a Home Energy Score in these areas the utilities have provided subsidies which reduce the cost between \$65 - \$150 in most cases.

Point of Purchase Improvements

Inspection calls for heating equipment or hot water heater replacement

- Request ENERGY STAR Replacement
- For the Heating Equipment, make sure insulation levels are adequate before new equipment is installed or sized. (Use one of the following paths to upgrade insulation)

Inspection doesn't call for replacement... but still want to upgrade or add Solar?



After Closing

Many different ways to make upgrades with available low interest products:

- *Energy Smart loans in select counties*
- *FCU On-bill financing (Ft. Collins)*
- *Colorado Energy Office developing program to fill in State program gaps*



Mortgage

Use EEM option, it's easy with Fannie Mae and FHA!

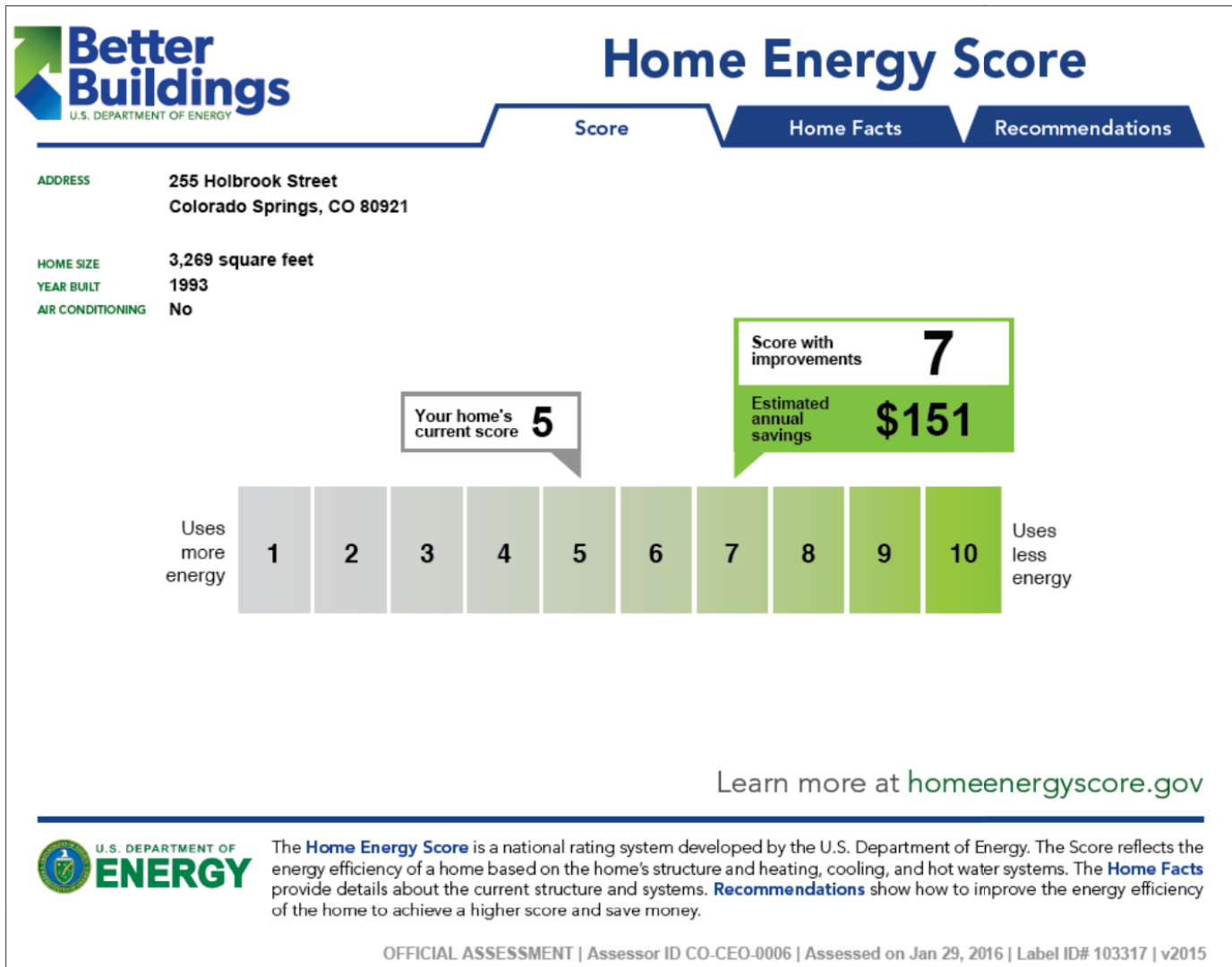
If inspection call for heating replacement, use EEM Option to upgrade insulation before new furnace and **stretch** the savings



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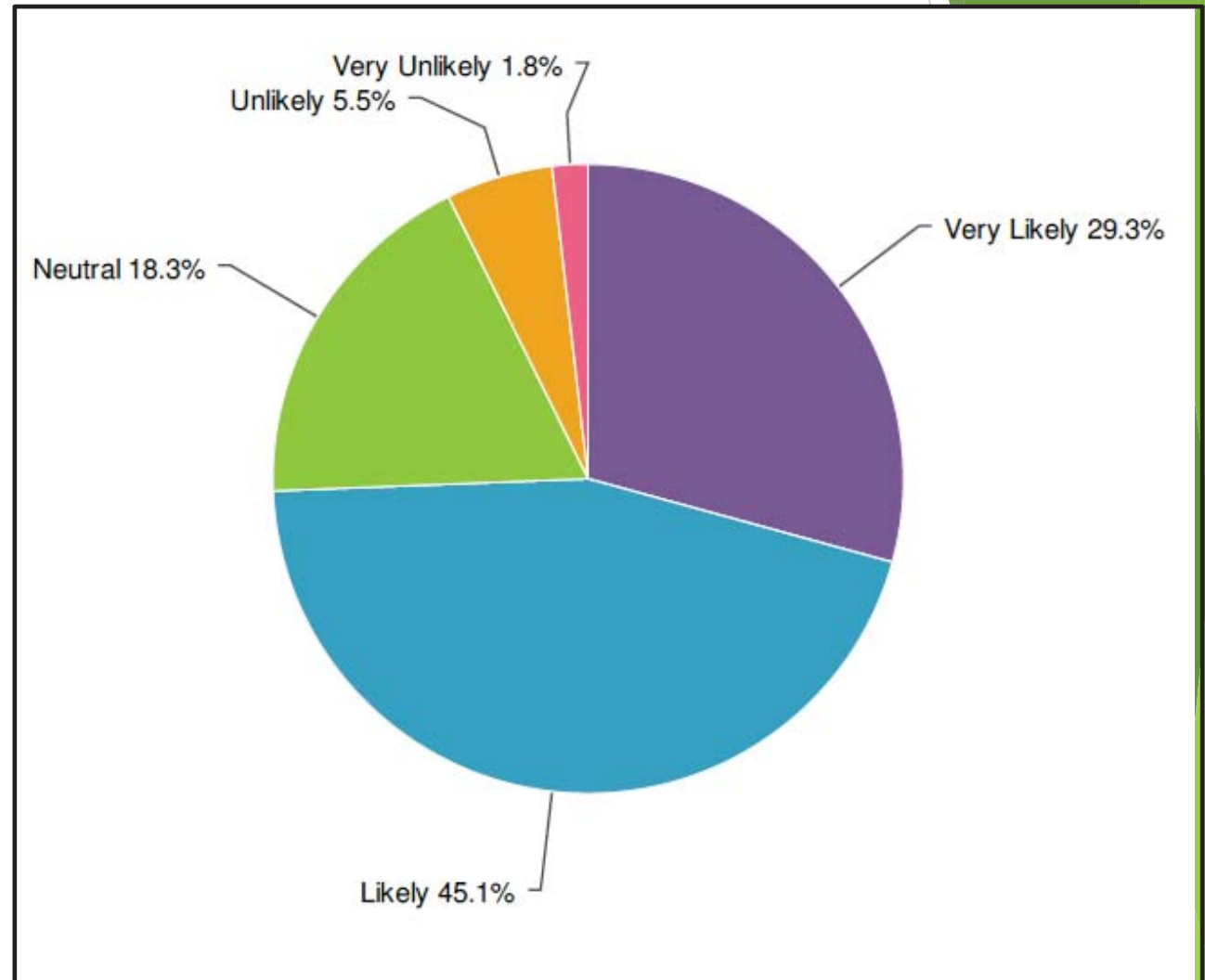
Home Energy Score



Importance of Mortgage Options

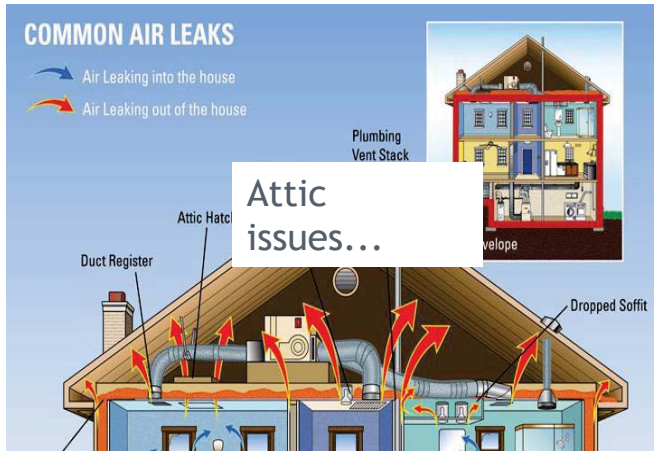
The Colorado Energy Office asked participants how likely they would be to get a Home Energy Score if the cost of improvements could be included in ones mortgage.

Almost 75% had a favorable reaction!



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Energy Efficient Mortgage?



What is it:

- It is a loan feature not an actual product.
- It allows the home buyer or refinancer to add in the cost of many common energy improvements into the mortgage.
- A Home Energy Score is a low cost way to investigate.
- All FHA loans can use the features and Fannie Mae has a product.

FHA's Energy Efficient Mortgage

Quick highlights:

- Any FHA lender can offer the Energy Efficient Mortgage (EEM)
- No second appraisal is needed or additional down payment funds
- Contractors and bids DO NOT have to be in place prior to closing

Easy Calculation to know the maximum amount:

- The max EEM loan amount = the lesser of...
 - The Value x 5%, i.e. \$7,800 for a \$156,000 home
 - 115% of the Median area price for County x 5%, or
 - 150% of Freddie's Conforming limit, x 5%

Fannie Mae's EEM

Quick highlights:

- Any Fannie Mae lender can offer the Home Style Energy Mortgage
- Up to 15% of the homes “as completed” value can be used for cost effective improvements (includes solar)
- All funds must be used for energy efficiency improvements, but that can include the energy assessment
- Up to \$3,500 can be used for energy or water efficiency without an energy assessment
- 1-4 unit existing homes eligible (except certain manufactured homes)

<https://www.fanniemae.com/singlefamily/homestyle-energy>

Opportunities in Listings

Form, Function, Performance?

- Any home built before 2006, including 60 units sold by Pitkin Housing in 2014 outside of Burlingame Ranch



Lowest price per foot home in downtown Glenwood! Seller says "bring offers"! 3 BR home plus 1BR apartment. Located near the Boy Scout Trail with great views of downtown and the river. Historic home is perfect as a rental or bring your remodel skills and make it a great family home. Great rental history with main house recently vacated for you to move in to. Lots of value for someone with Vision and TLC!

General Information

Beds	4 Bed	Baths	3 Full Bath
House Size	2,488 Sq Ft	Lot Size	4,792 Sq Ft Lot
Price	\$304,800	Price/sqft	\$123
Property Type	Single Family Home	Year Built	1913 - See Improvements
		Style	Victorian

Contact Information

For more information, please contact:

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www.energysmartcolorado.com



Thank You to the Colorado
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the funding for training.



State of Colorado
John W. Hickenlooper, Governor
1580 Logan Street, Suite OL1
Denver, Colorado 80203



The Colorado Energy Office



@coenergyoffice



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