

How homebuyers and homeowners can make their home more energy-efficient

Fannie Mae is working to help lenders and real estate professionals have the information they need to help their customers make energy efficiency improvements — and show how it can be a benefit for everyone.

Executive summary

- Energy-efficient homes can make homeownership more affordable and sustainable for low- to moderate-income families.
- Energy efficiency is desired by the majority of low- to moderate-income homeowners and buyers, but it is seen as cost-prohibitive.
- There are financing solutions available through many government, state and private organizations.
- A HomeStyle® Energy loan can help borrowers finance upgrades to reduce utility costs and improve the comfort and safety of their homes as part of their purchase or refinance mortgage.
- Lenders and real estate professionals can help consumers know their options.



The need for energy-efficient homeownership


For all homeowners, but especially low- to moderate-income families, energy-efficient homes are about much more than the environment. They can help create **financial stability, housing sustainability** and may even impact the **overall health** of their family.


The average percentage amount spent on energy costs by low-income families is **more than triple the percentage** of the amount spent by higher-income households.¹ Efficiency improvements that bring low-income housing to the level of the average U.S. home could reduce their energy burden by as much as 35%.¹

And with lower, more predictable utility bills, homeowners can better budget and make their monthly mortgage payments with greater ease — leading to increased housing stability.

Current energy costs can strain budgets

A household's energy burden is the percentage of income spent on home energy bills. The median low-income (≤200% of the federal poverty level [FPL]) energy burden is 8.1%.²

\$115.49/MONTH ELECTRIC BILL on average²..... 

\$104/MONTH WATER BILL on average²..... 

1. NRDC | "Study Highlights Energy Burden for Households and How Energy Efficiency Can Help"

2. ACEEE | "National and Regional Energy Burdens"



Why energy efficiency matters for homeowner health

22
hours spent
indoors³

90%
of time breathing
indoor air³

2 to 5
times higher pollutant concentration
when compared to the outdoors³

Energy-efficient homes can have a **positive impact on a family's health**, helping to improve indoor air quality and keeping outdoor pollutants out. This can be especially important for people with respiratory problems, allergies and weakened immune systems.

In fact, after making some basic weatherization and energy efficiency improvements to their homes, **many people reported a number of notable health benefits**,⁴ including:

- Improvements in overall health.
- Improvements in mental health.
- Fewer headaches and less fatigue.
- Fewer respiratory symptoms.
- Improvements in blood pressure or other cardiovascular issues.

It's easy to imagine how reduced symptoms can lead to **fewer missed work or school days, fewer doctor visits — and reduced medical costs**.⁵

Three ways to improve energy efficiency and air quality

1

Securing your home against outside elements

Example: Weather stripping and caulking.

2

Improving your ventilation

Example: Using HEPA filters, proper venting and ventilation systems.

3

Managing moisture

Example: Installing insulation with moisture management capabilities.

3. EPA.gov | Indoor Air Quality: What Are the Trends in Indoor Air Quality and Their Effects on Human Health?"

4. Energy.gov | "Home RX: The Health Benefits of Home Performance"

5. Fannie Mae, Know Your Options | "Sealing the Deal on a Healthy Home"

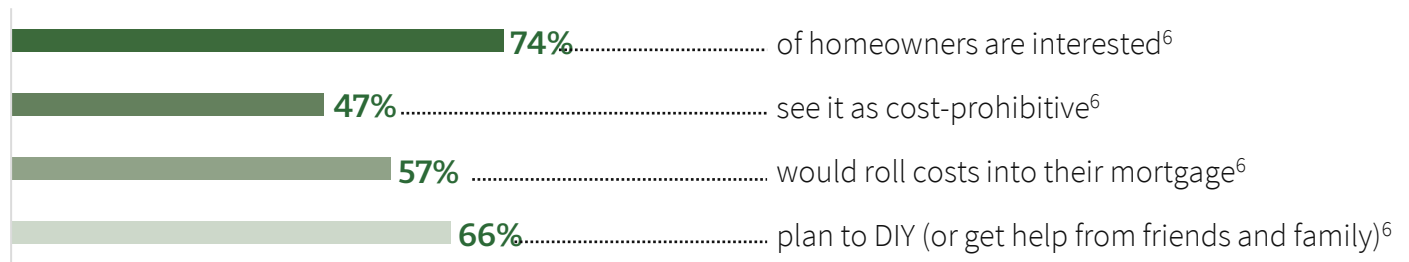


Providing energy and water efficiency financing options is a primary focus

Our financing helps make home improvements possible.



When it comes to energy-efficient solutions:



The #1 barrier to energy efficiency is cost

While **74% of homeowners** in the low- to moderate-income range are interested in energy-efficient solutions, interest drops off significantly as the cost of those improvements increases.⁶ And given that their planned projects are typically smaller and less expensive than energy improvement projects of homebuyers and owners in higher income brackets, low- to moderate-income families might feel the return on investment won't be worth it.

Only 1 in 4 homeowners have used an online energy assessment⁶

Resources for your borrowers:

- energy.gov/energysaver
- Many local utility providers offer virtual energy audits.
- Most utilities offer free or low-cost energy reports. Contact your local utility, or look at the inserts in your monthly bill to explore your options.

Energy reports can tell your borrowers how efficient their home is, and some even recommend improvements tailored to your borrower's home.

[DOE Home Energy Score](#)

[HERS Index](#)

6. Fannie Mae, "Energy Efficiency," Single-Family Strategy & Insights, unpublished research, December 2020



Even with so many homebuyers interested in energy efficiency, most use credit cards or pay out-of-pocket⁶

And we want homebuyers to know more about their financing options.



When it comes to efficiency upgrades, the number one financing method used by low- to moderate-income homeowners and buyers is personal credit or cash on-hand.⁶ Self-financing can limit the scope of a home project, which may have a long-term impact on a family's wealth, health and livelihood.

Reduced-cost and no-cost improvements are available to income-qualified borrowers

The U.S. Department of Energy Weatherization Assistance Program reduces energy costs for low-income households:

- Increasing the energy efficiency of their homes while ensuring their health and safety.
- Providing weatherization services to approximately 35,000 homes every year using DOE funds.
- These households save on average \$283 or more every year.
- Send your borrowers to <https://www.energy.gov/eere/wap/how-apply-weatherization-assistance>

The American Council for an Energy-Efficient Economy has made a list of guidelines by state at:

database.aceee.org/state/guidelines-low-income-programs

Rebates, incentives and tax credits also exist

Rebates on ENERGY STAR® products can be found here:

- energystar.gov/rebate-finder

Utilities, states and municipalities offer rebates and incentives:

- Borrowers should contact their utility company to learn about available rebates and incentives.
- Have your borrowers/homeowners go to state energy offices for more information.
<https://www.naseo.org/members-states>

There's even a residential energy-efficient property tax credit offered by the IRS:

- Borrowers should use [Form 5695](#) to figure out their residential energy credits. Suggest they consult a tax professional if they have questions about this form.

Or, they can roll the cost into their mortgage

How can you help? Ask if they'd like to finance any energy efficient improvements as a part of their loan.

- Borrowers who are refinancing have lived in the home for some time and often know what they need to do to reduce their energy bills — they can roll those energy improvements into their refinance loan.
- Bundling energy upgrades into a mortgage loan allows homebuyers to spread the cost out over time — and move their family into a healthier home sooner.

6. Fannie Mae, "Energy Efficiency," Single-Family Strategy & Insights, unpublished research, December 2020



Fannie Mae HomeStyle® Energy loan

What is it?

- A long-term mortgage that can help your borrowers finance upgrades to reduce utility costs and improve the comfort and safety of their homes
- Can be combined with other loan products, like HomeReady®, for more flexibility and savings
- May be used for upgrades to energy and water systems, including solar, property improvements for better resilience to natural disasters, new windows and doors, and to pay off other energy-related debt

Who's eligible?

- Buyers and refinancing-owners of one-to-four-unit properties, including manufactured housing (no structural damage)
- All occupancy types permitted
- Standard LTV, CLTV and HCLTV ratios apply



Great candidate for HomeStyle® Energy:

Jasmine is a retired elementary school teacher on a fixed income and is looking for a new home that has lower, more predictable utility bills than she currently pays. However, none of the homes in her price range are energy-efficient.

Eligible HomeStyle® Energy improvements:

- Weatherization improvements
- Air sealing
- Insulation (attic, floors, walls, basement, duct)
- Smart thermostats and equipment controls
- New windows and doors
- Upgraded equipment and appliances
- Water heater
- Air conditioning
- Furnace
- Installation of alternative energy sources, such as solar or geothermal
- Low-flow toilets and faucets

No energy report is required for:

- Basic weatherization and water-efficient items up to \$3,500
- Water efficiency devices
- Renewable energy sources, including solar panels, wind power devices and geothermal systems
- Environmental hazard damage repairs or resiliency improvements
- Radon remediation





Great candidate for HomeStyle® Energy:

Don and Maya are looking to buy their first home. Their first choice is an older home that needs some minor renovations. It has drafty windows and doors, poor insulation and an inefficient air conditioner. They are looking for a way to finance some energy-efficient upgrades to save on monthly utility bills.

In addition to energy and water efficiency improvements, a **HomeStyle® Energy loan** can be used to repair homes damaged in a natural disaster, or by an environmental hazard, and to install resiliency or preventative improvements, including the following:

- Storm surge barriers.
- Foundation retrofitting for earthquakes.
- Hazardous brush and tree removal in fire zones.
- Retaining walls to address mud or water flows.
- Installation of radon remediation systems.



Great candidate for HomeStyle® Energy:

Milo and Kevin live along the coast of Louisiana. They want to make their home resilient to the increasingly frequent tropical storms and hurricanes. They've decided to invest in storm surge barriers as well as a sump pump in their ground floor, which is prone to flooding.



How to spot the ideal HomeStyle® Energy loan borrower:

- Those looking to improve a home’s resiliency against natural disasters or pay off existing energy-related debt.
- Borrowers who are refinancing often do not know they can add energy improvements to their loan — ask these borrowers if they have thought about adding solar panels or insulating the home to reduce their energy costs.
- Low- to moderate-income borrowers who are looking to save money on energy bills.



Great candidate for HomeStyle® Energy:

Amy and Javier have owned their home in a suburb of Austin, Texas, for six years. In that time, they’ve done what they could to make their 1960’s ranch more energy-efficient — from ENERGY STAR® appliances to efficient lightbulbs to upgrading their windows. They know that their older HVAC needs to be replaced to lower their bills, but the upfront costs are too high for them.

Plus, HomeStyle® Energy loans qualify lenders for a \$500 loan-level pricing adjustment (LLPA) credit.



Fannie Mae is committed to offering financing options for energy and water efficiency

We're working on expanding our efforts to provide liquidity, resources, leadership and partnership to support the energy efficiency segments of the single-family housing market.

What we're doing:

- Expanding market awareness and understanding of energy and water efficiency improvements and financing through industry outreach and research.
- Helping to reduce homeowner utility costs through loan product enhancements that allow homeowners to finance or refinance energy and water improvements.
- Increasing the purchase of mortgage loans that finance energy and water improvements or refinance existing energy debt, like PACE loans.

What you can do:

Let your homeowners and borrowers know that there are energy efficiency options to help them get a comfortable, efficient and resilient home.

Useful links:

[HomeStyle Energy Mortgage](#)

[Fannie Mae's Duty to Serve](#)

Have questions?

[Click here](#) to have a Fannie Mae representative contact you.

