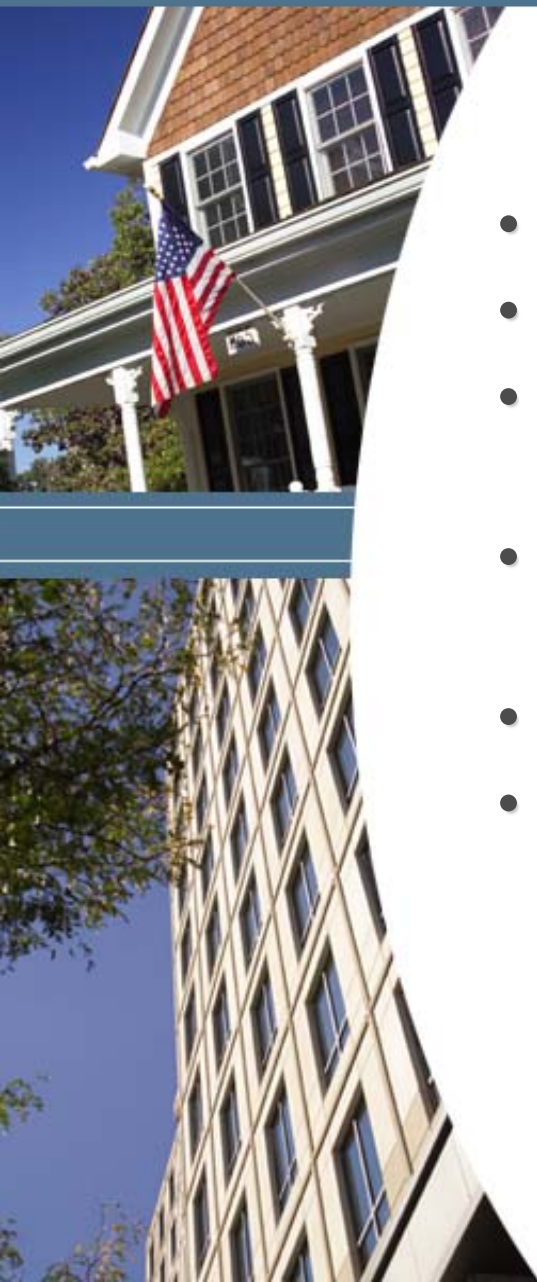


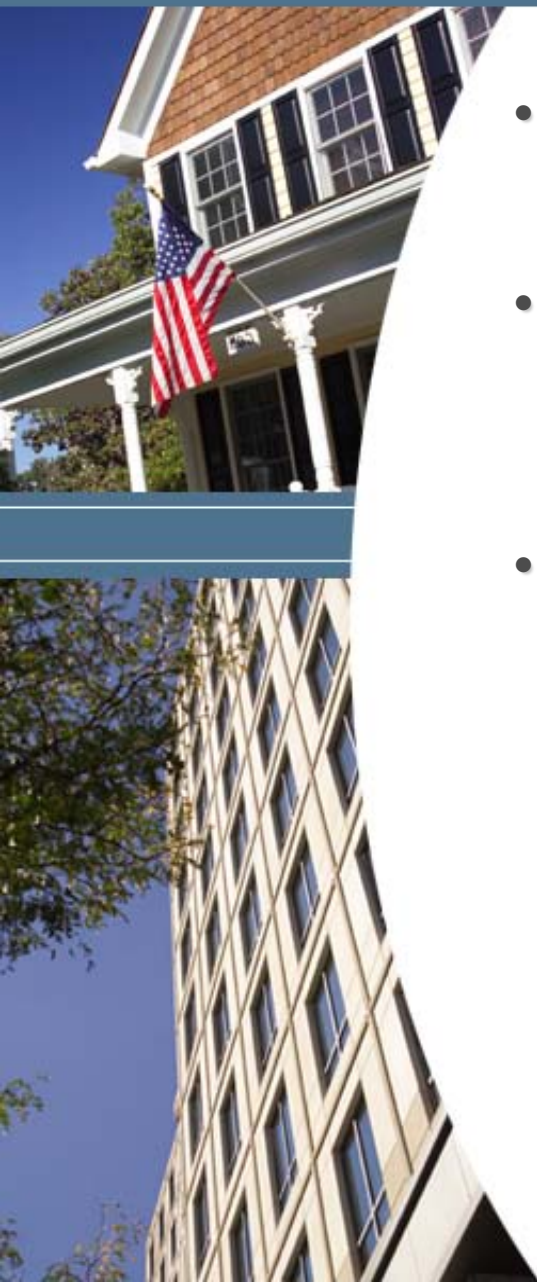


# Government Lending and Emerging Markets

## FHA EEM and 203(k) Products

# EEM's with 203(k)

- 
- One to four unit properties are eligible
  - Can be fixed rate or adjustable loans
  - Allowable improvements are for the total property – not per unit
  - Energy improvements done in conjunction with the Standard 203(k) repairs
  - Six months to complete rather than 90 days
  - Fees and inspection costs may be included as part of the energy package which is in addition to the consultant's fee.



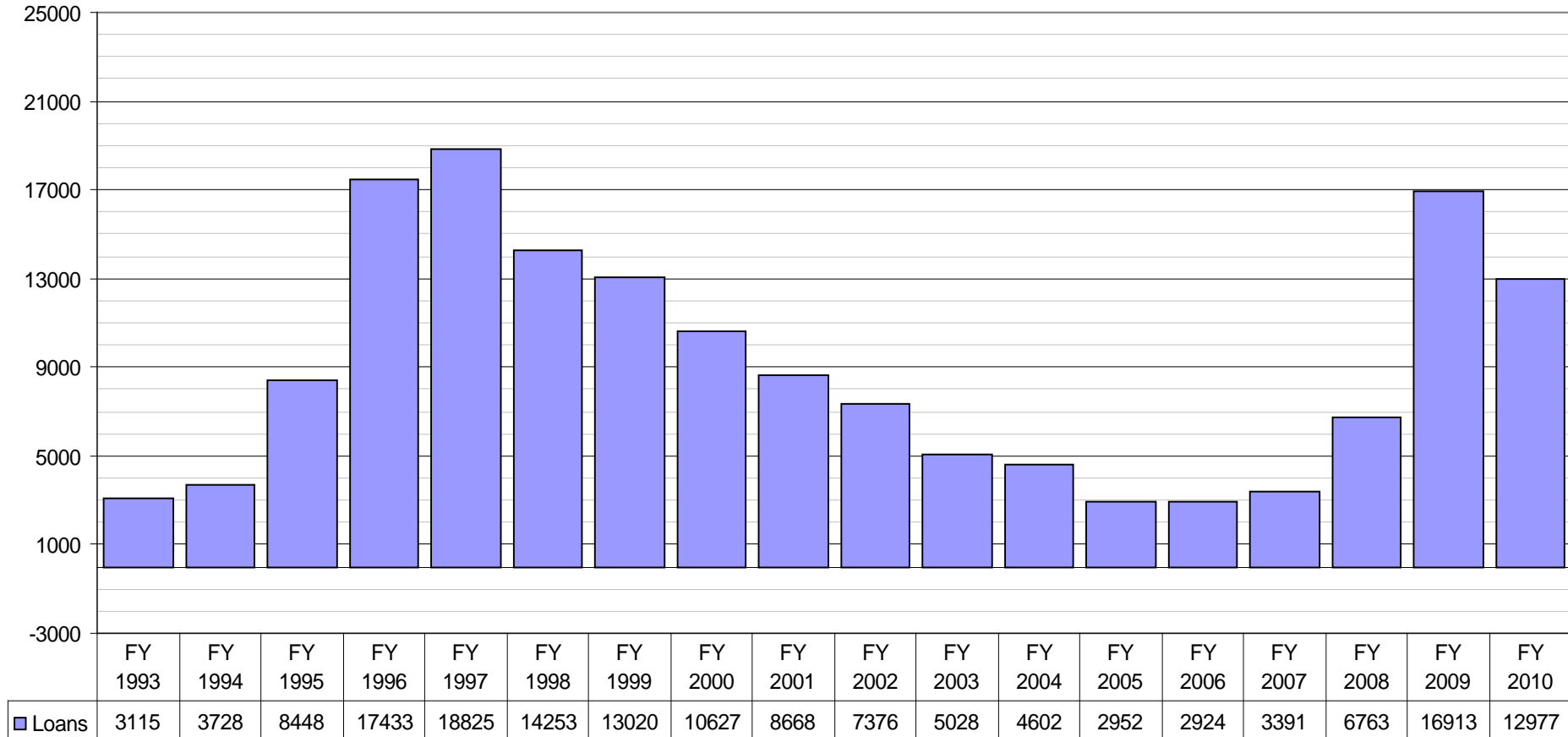
- **Standard 203(k) and EEM allows the greatest opportunity for structuring the project plan.**
- **5% of the value of the property or the cost of the improvements is the best rule of thumb for the amount that can be included.**
- **Greatest return in energy cost savings are usually the cheapest and return the least addition to value.**
  - » **Weather stripping**
  - » **Caulk and seal openings, cracks or joints in the building envelope**
  - » **Insulate walls and ceiling areas**
  - » **Ventilate attic and crawl space areas**

# National Statistics for 203(k) Endorsements through 4/30/2010

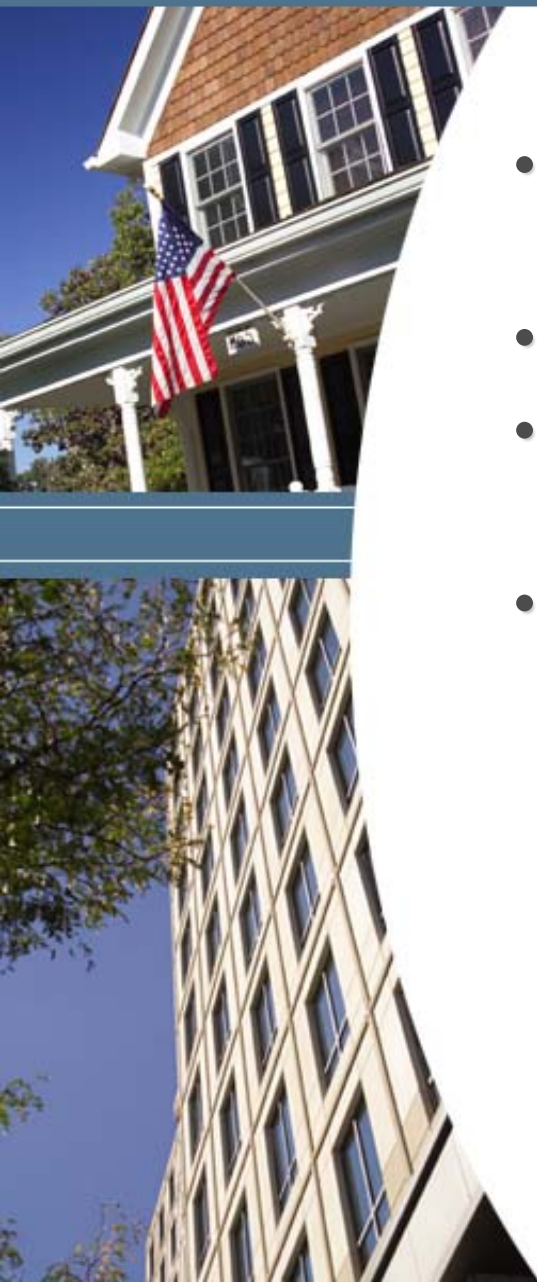


## 203(k) Endorsement History

5/1/2010

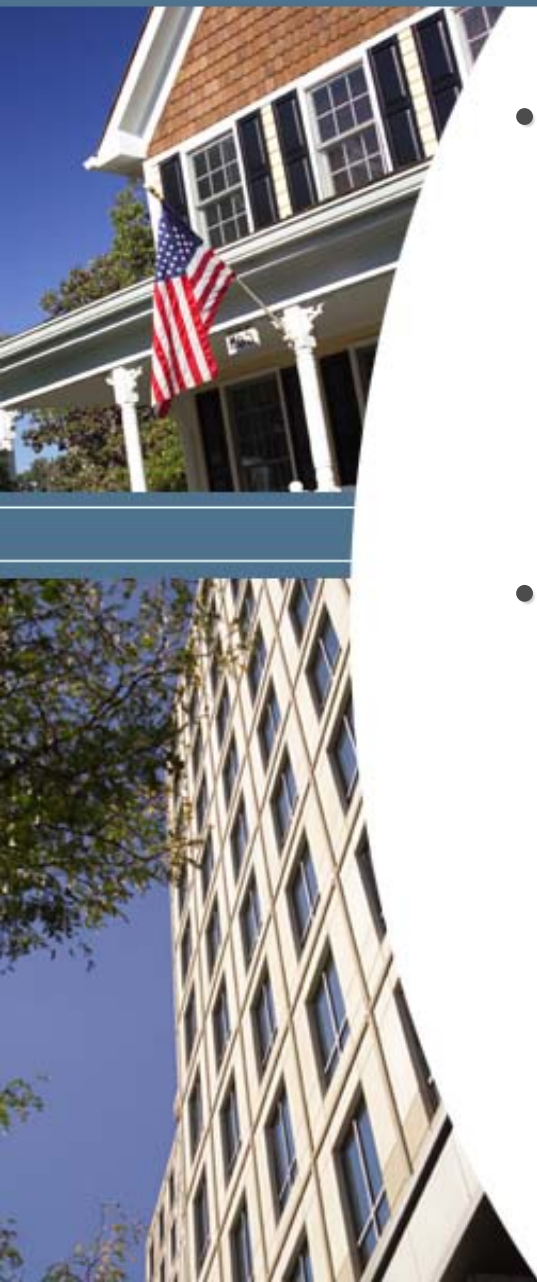


Source: 203K ENDORSEMENT SUMMARY REPORT F17FVCY  
[www.hud.gov/pub/chums/f17fvc/F17FVCY-20100501.txt](http://www.hud.gov/pub/chums/f17fvc/F17FVCY-20100501.txt)



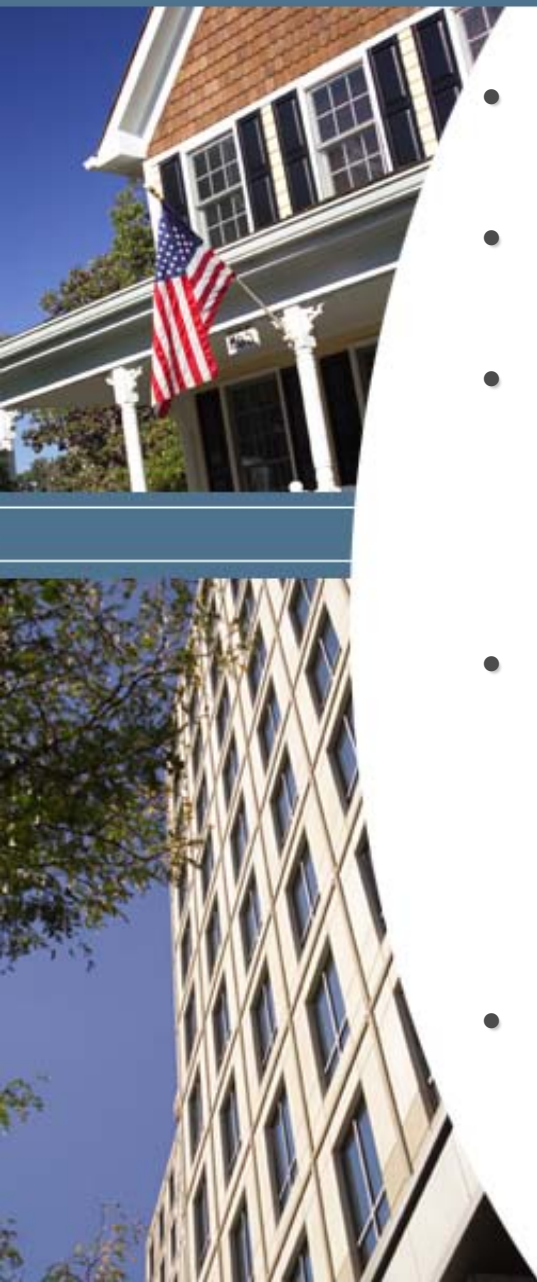
- **Success of Energy Efficient mortgages difficult to measure**
- **Only the 203(k) has an ADP Code of 807**
- **Regular FHA loans and other variations do not have an insuring code for energy efficient loans.**
- **Often easier to do a improvements outside of the mortgage process**
  - » **State and local energy programs**
  - » **Special tax credit programs**
  - » **Incentives for heating and cooling systems from utility companies**

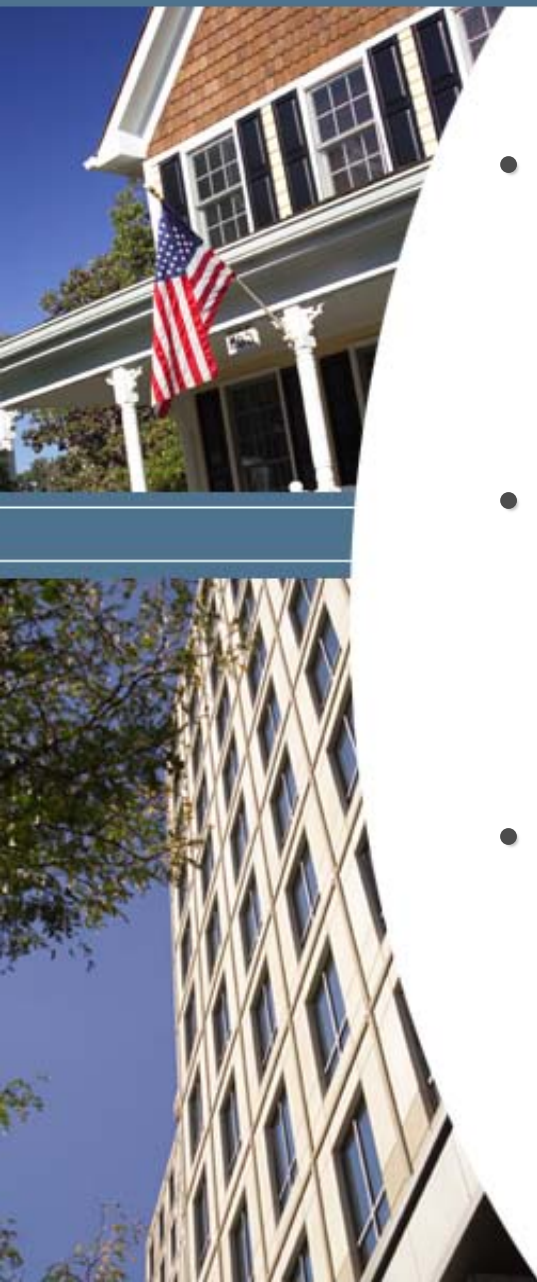
# Energy Efficient Areas

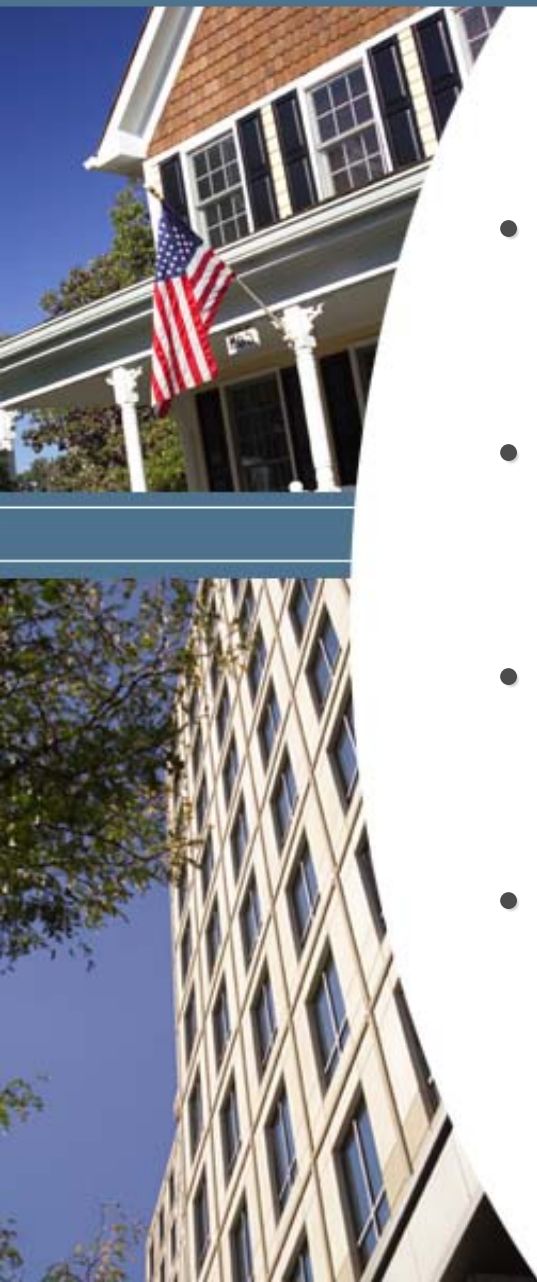


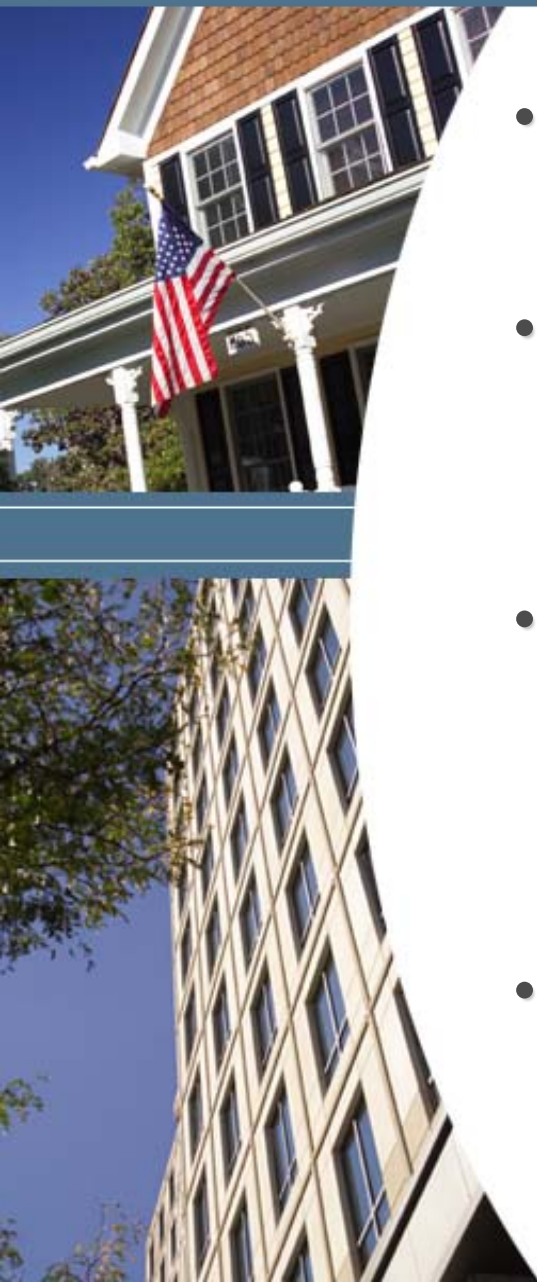
- **FHA Pilot states have the most active programs:**
  - » **Alaska**
  - » **Arkansas**
  - » **California**
  - » **Vermont**
  - » **Virginia**
- **Other areas with active programs:**
  - » **Colorado**
  - » **Florida**
  - » **Kansas**
  - » **New York**

# Home Energy Rating System Report

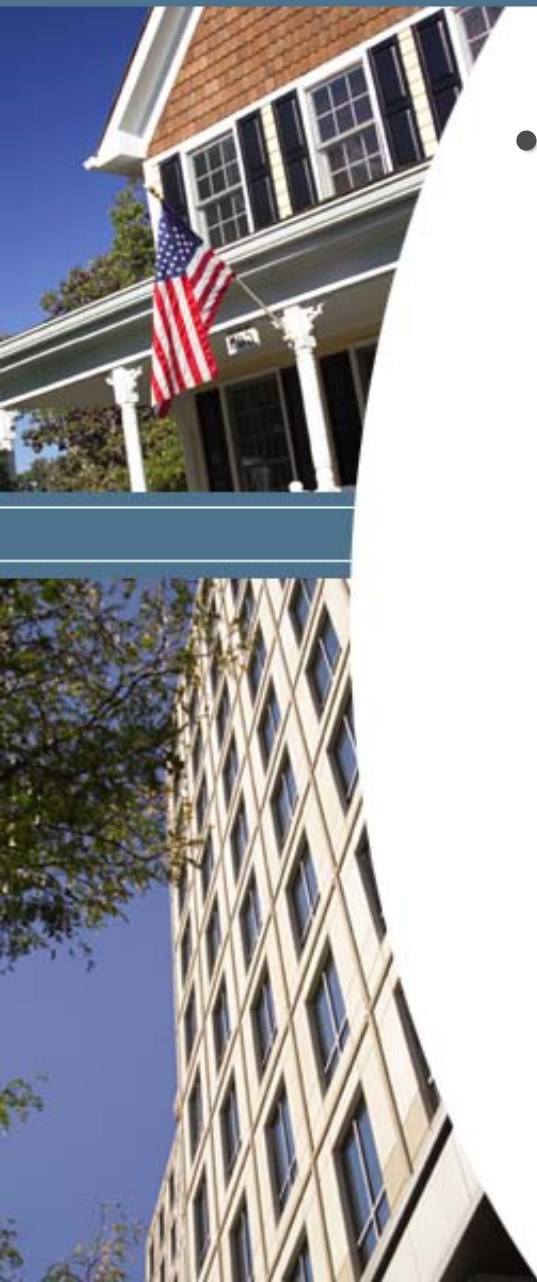
- 
- **HERS report required for FHA Loans**
  - **Energy audit does not meet program requirements**
  - **Rating must meet Department of Energy approved ratings guidelines and achieve passing results for DOE's Building Energy Simulation Test (BESTTEST)**
  - **Needs a physical inspection of the property and written report that includes present energy features with specific details and a description of the energy package that will be installed.**
  - **Present value test is a statutory requirement. Estimated costs after installation of the energy package and savings in utility costs after installation are required.**

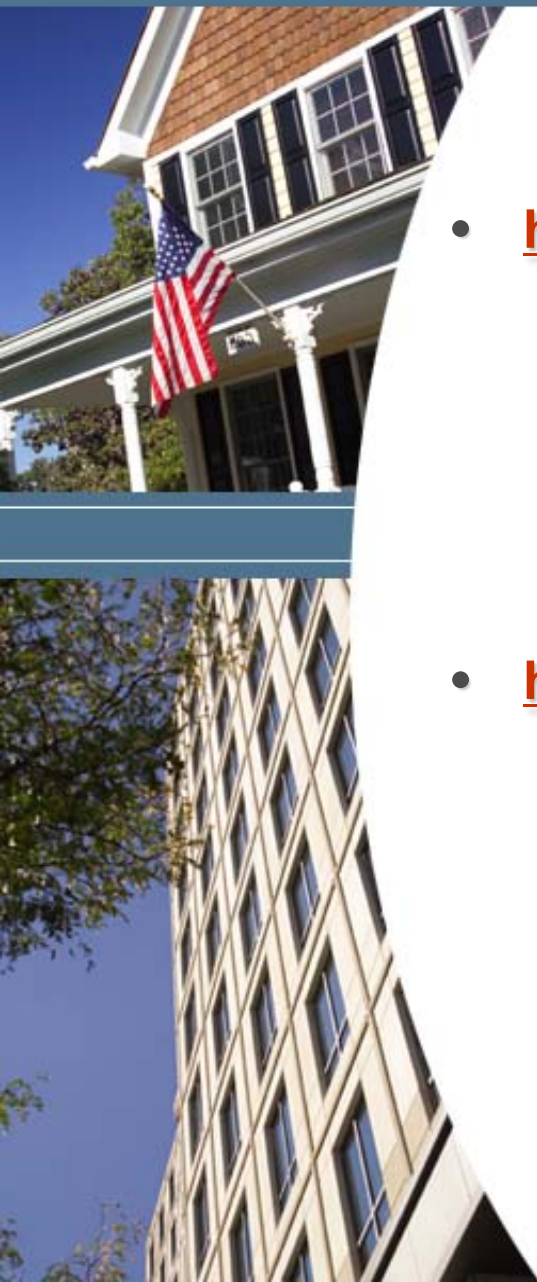
- 
- **FHA credit underwriting applies to both 203(b) and 203(k) versions of the Energy Efficient Mortgages**
  - **The amount of the cost effective improvements is added to the approved base loan before adding any Up-Front Mortgage Insurance Premium**
  - **Can be underwritten in Total Scorecard with an approve or accept if the underwriter attests to the review of the calculations and that they are in compliance with FHA underwriting instructions**

- 
- Appraiser should have a copy of the HERS report with the appraisal request.
  - With a regular FHA loan there is no need for a second appraisal to show value
  - The HERS report is used to add value for a 203(b).
  - On the 203(k), the After-improved value is used for the EEM process



- **The Maximum Mortgage Worksheet is used for underwriting 203(k)/EEM loans**
- **Repairs are included in A6 and added to Repairs in line B1 to be included in the renovation escrow account**
- **The amount in A6 is then subtracted from the amount to be financed before the mortgage amount is calculated in Section C (Purchase) or Section D (Refinance).**
- **The base loan that is calculated is entered in Section E and the energy package is added on top of the base.**

- 
- **Key Mortgage Letters**
    - » **ML 09-18 Increase in Dollar Amount of EEM Improvements**
    - » **ML 05-21 HUD's Energy Action Plan and Energy Efficient Mortgages**
    - » **ML 98-02 Combining EEM and 203(k)**
    - » **ML 95-46 Expansion of the Energy Efficient Mortgage Program**

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- <http://hud.gov/offices/hsg/sfh/eem/eemhome.cfm>
    - » Energy Efficient Mortgages Description
    - » Median Area Prices
    - » Energy Efficient Homeowner Guide
    - » HUD's Office of Energy
  - <http://www.resnet.us/>
    - » Energy related information
    - » Certified HERS Raters by State/Zip Code