



Energy Efficient Mortgages: Definitions

An **Energy Efficient Home** is one that uses less energy, saves the owner money and increases the home's comfort and durability, allowing an owner to dedicate a greater amount of their income to the mortgage payment or other expenses.

An **Energy Efficient Mortgage (EEM)** defines all forms of first mortgage programs that foster energy efficiency. Because of the Energy Mortgage programs sponsored by secondary mortgage institutions (FHA, Fannie Mae, Freddie Mac, VA), lenders can give the buyer of an energy efficient home credit for the fact that the home will have lower energy bills than a typical home. These special financing programs allow the purchaser to include the cost of needed energy conservation improvements at the time of purchase with the loan. A home rating and rating report is required to be prepared by a certified Home Energy Rating System (HERS) provider to determine if the improvements are allowable based on cost effectiveness.

An **Energy Improvement Mortgage (EIM)** is a first mortgage program designed to include the cost of making cost-effective energy improvements to existing property at the time of purchase or refinance. The lending industry recognizes that saving energy reduces the cost of home ownership and frees up more money to assist in paying the mortgage. The extra dollars borrowed to add additional insulation, replace the old heating/cooling system, or tighten the home are rolled into the new mortgage and spread over the mortgage term.

Home Energy Rating System (HERS) was developed nationally with guidelines from Fannie Mae and Freddie Mac to provide uniform, reliable, unbiased information to home buyers, sellers, Realtors, and the mortgage industry about the energy efficiency of any home.

A **HERS** report contains data obtained by a certified HERS rater during the examination of a home such as the insulation levels, solar orientation, heating, cooling, ventilation systems and controls, appliance efficiency, and window types). The rating for the home is on a score between 1 and 100 (highest energy efficiency). A home is considered to be relatively energy efficient with a score of 80 or greater.

An **Accredited HERS Provider** is an organization that uses approved national guidelines to complete energy ratings on homes. HERS providers use a fixed set of procedures, assumptions, measurements, and calculations to provide a home energy rating. There are a number of Accredited HERS Providers that are members of the Northeast Home Energy Rating System Alliance. For a list, visit: www.energyratings.org.

A **Certified Rater** has had training in the Home Energy Rating System audit procedures and software. The rater does a visual inspection of the house and collects data using a number of energy measurement tools. The rater sets up a "blower door" test to determine the home's air leakage. Finally, the rater is responsible for generating a HERS report and providing the correct documents to a lender for energy mortgages.

A **Blower Door** is a piece of equipment that can be attached to an outside door of a home to depressurize it and then measure the amount of air leakage to pinpoint areas of air leakage that cannot be seen otherwise. The blower door can also identify potential health hazards that can exist when exhaust appliances such as kitchen ranges and bathroom fans create conditions which cause a backwards airflow down the furnace chimney (*called back-drafting*).