

Community Investments Vol. 10, Issue 1 Energy Efficiency Supports Affordable Home Ownership

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Securing the down payment for the house of your dreams can be a daunting, sometimes discouraging, exercise. Specialized loan products that reduce the downpayment have helped thousands of "on the margin" buyers obtain mortgages. But what happens when the escrow closes, the deed clears and reality sets in? Too often, the combined expenses of the mortgage payment and home maintenance costs quickly turn a dream house into a disaster.

Next to the mortgage payment, utility bills may be a home owner's most significant monthly household expense, particularly in homes with old appliances, inefficient heating or poor insulation. Energy-efficiency loan programs can assist homebuyers in qualifying for home loans while lowering home operating costs. Consider these reasons why energy efficiency is a benefit to both lenders and consumers:

- Using less energy reduces utility bills and improves affordability. By retrofitting an existing home or buying a more efficient new home, existing or prospective home owners can reduce the amount of gas and electricity needed to light, heat or cool a home by as much as 50 percent. These savings can lower projected monthly expenses and can help qualify low-income borrowers for mortgages.

- Energy efficiency adds value. An increasing number of homebuyers are seeking homes with dual-pane windows, wall and ceiling insulation, and energy-efficient appliances.

Retrofitted or newly constructed energy-efficient homes qualify for what is known as an Energy Efficient Mortgage (EEM). Qualification for an EEM requires that a home have an energy efficiency rating, which in California is offered through the California Home Energy Efficiency Rating Survey (CHEERS) program. CHEERS is a non-profit organization that provides third-party recommendations for how to improve residential energy efficiency. For example, CHEERS has launched a partnership with the regional HUD/FHA office in Fresno, California, to perform ratings on all FHA repossessed homes. This program enables energy efficiency improvements to be made when upgrading these homes for resale.

In 1994, Pacific Gas and Electric Company (PG&E), which serves a population of 13 million in Northern California, formed a partnership with Fannie Mae called the Home Energy Savings Loan Program (soon to be called PG&E Comfort Link). Under this program, homeowners can borrow a maximum of \$15,000 to install high-efficiency air conditioning, low-emissivity windows and insulation upgrades. The program features below-market, tiered interest rates tied to loan amount, with same-day approval and streamlined loan underwriting guidelines.

PG&E would like to work with mortgage lenders interested in considering second mortgages under this program in an effort to improve efficiency, reduce monthly expenses and improve affordability. Furthermore, PG&E encourages lenders to work with Fannie Mae and Freddie Mac to create programs that include consideration for underwriting residential loans secured by certified energy-efficient properties.

Energy-efficient loans are good for the environment, and they help make home ownership affordable. Lenders and consumers are encouraged to contact PG&E for more information about the Comfort Link program and/or its possible replication in other states.

In addition to its Comfort Link program, PG&E also offers weatherization services, energy education, and energy-efficient refrigerators to qualified low-income customers. For questions about PG&E's residential energy efficiency programs, call the Smarter Energy Line at 1-800-933-9555. For questions about business energy efficiency programs, call the Energy Efficiency Resource Center at 1-800-468-4743. Information on energy efficiency programs and services is also offered on PG&E's Web Site: <http://www.pge.com>. CI

For additional information about CHEERS, contact Tom Hamilton (800) 424-3377, or visit CHEERS on the Internet at www.cheers.org.

Inquiries regarding PG&E alliances should be directed to David Altscher, Senior Project Manager for PG&E, at (415) 973-6077.