



Opening of the Existing Homes Market in California

CHEERS Existing Homes Initiative



**FHA's Energy
Efficient Mortgages**

Purpose of the EEM

The EEM program recognizes that the improved energy efficiency of a house increases its affordability by reducing the operating costs

Cost effective energy improvements result in lower utility bills, conserve energy and thus, make more income available to the borrower for the mortgage payment

Purpose of the EEM

This is a federal program and works in all states

FHA does not loan money, they insure mortgages

EEM vs. EIM

- **The EEM allows a 2% stretch on the ratios on newly constructed homes described in FHA's Mortgagee letter 89-25**
- **The EIM (Energy Improvement Mortgage) allows the borrower to finance energy improvements on existing homes**
- **The term "EEM" is commonly used for the EIM and by FHA in their mortgagee letters**

What are the qualifications of the EEM?

- **A borrower can finance 100% of the cost of an eligible cost effective energy package**
 - **No qualifying for the additional amount**
 - **No additional down payment is required**

What are the qualifications of the EEM?

- **The greater of 5% of property value (not to exceed \$8,000) or \$4,000 can be added onto the approved mortgage amount**

What are the qualifications of the EEM?

- **Energy related weatherization items may be combined with the EEM where the maximum dollar amount allowed under an EEM does not cover the cost of the entire energy package**

What are the qualifications of the EEM?

- **Cost effective - the present value of the energy saved is MORE than the cost of the energy package**
- **The maximum mortgage amount for an area can be exceeded by the amount of the energy package**
- **The HERS (CHEERS) Rating is a required piece of documentation for the EEM**

What Properties Are Eligible?

- **1- 4 units**
- **Existing construction**
- **SF, townhouses, condos, manufactured houses, duplexes**

What FHA Loans Can Be Used?

- **203(b) – Purchase or Refinance**
- **203(h) - Mortgages for Disaster Victims**
- **234 – Units in Condominium Projects**
- **203(k) & 203k Streamline Rehab**
- **Streamline Refinance**

Who Can Get an EEM?

- **Anyone who qualifies for FHA financing**

How is the energy package designed?

- **The energy package is a set of improvements agreed to by the borrower based on recommendations on the HERS (CHEERS) Report**
- **The energy package analysis must be performed by a certified (HERS) CHEERS Rater according to the FHA underwriting guidelines in Mortgagee Letter 05-21**
- **The Rating fee may be financed into the EEM funds or paid out of closing costs**

Getting the Work Done

- **Borrower should get bids before closing**
- **EEM dollars are put into a non-interest bearing escrow account - or if combined with a 203(k), put into the Rehab Escrow Account**
- **90 days to complete work (6 months if a 203(k))**
- **Contractor cannot be Rater**

Getting the Work Done

- **When all the work is complete, and verified by the HERS (CHEERS) Rater, the EEM funds are released from escrow**
- **The borrower receives an updated (CHEERS) Rating Report reflecting the improvements installed**

The Veterans Administration Energy Efficient Mortgage

- **VA will add up to \$6000 to mortgage amount, and \$3000 without a HERS Rating**
- **Lender or Mortgage Broker does not have to be an FHA Lender to originate these loans**
- **Process is identical to FHA**

The background of the slide features a faded, teal-tinted image of a two-story house with a porch and a large tree on the left side. The house has a gabled roof and several windows with shutters. The tree is in the foreground, partially obscuring the house.

Paula Howell

CHEERS EEM Support Specialist

➤ **Rater's Role in an EEM**

➤ **Small window of opportunity**

Announcing the EEM Support Services Center

- **A one stop shop for Consumers, Raters, Lenders, Underwriters, & Contractors**
- **Provide EEM Documentation & Project Management education & services**

Why do we need the CHEERS EEM Documentation Specialist

- **This person is qualified to act as a project manager in assisting the industry in utilizing these programs**
- **Provide EEM Documentation & Project Management Services**
- **One day trainings coming soon**

Additional Opportunities for Existing Home CHEERS Raters

- **Designed for Comfort**
- **Green Community Grants**