

# The SAVE Act: Factoring Expected Energy Cost Savings into Loan Underwriting

**E**nergy-efficient homes save money for homeowners and occupants by reducing monthly energy bills. Efficiency investments in homes built to the current IECC model code (2009) can save more than \$400 each year on utility bills.<sup>1</sup> New homes that qualify for the ENERGY STAR label by achieving at least a 15 percent improvement in energy efficiency reduced energy bills by more than \$270 million for American families last year.<sup>2</sup> In both instances, the energy savings are greater than the incremental mortgaged cost of the improvement.



**Homeowners who spend less on energy will have more money to make mortgage payments and to maintain and repair their homes.** A person will be less likely to have to choose between paying the utility company or his or her lender. In this way, lower energy costs increase home affordability and reduce the chances of mortgage default. Yet federal mortgage programs ignore these benefits. Their current mortgage underwriting practices ignore the fact that an energy-efficient home can knock hundreds of dollars off utility bills each year, while an inefficient home will waste energy and hard-earned dollars that could go to pay the mortgage.

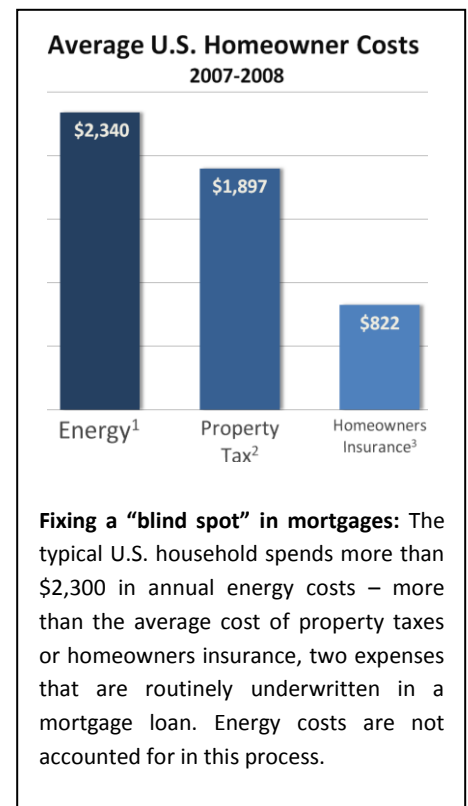
The federal mortgage programs have, for many years, assumed that the simple underwriting approach in place since the 1940s was good enough. But the housing foreclosure crisis has revealed many shortcomings in traditional underwriting. **Better information about a**

**homeowner's costs will enable better credit policy decisions by the federal mortgage programs, which are involved through guarantees and other means in more than 90 percent of all new mortgages.**

## OVERVIEW OF THE SAVE ACT

The SAVE (Sensible Accounting to Value Energy) Act, a new proposal supported by energy efficiency advocates and leading U.S. homebuilders, seeks to correct this energy “blind spot” in mortgage underwriting and home appraisal. Championed by Sen. Michael Bennet (D-Colo.), the SAVE Act would require federal loan agencies to assess the expected energy costs for mortgage loan applicants. This can be accomplished through modest adjustments to underwriting guidelines and appraisal practices and could be implemented over a manageable period without disruption. The SAVE Act would achieve the following:

- **Enable federal mortgage programs to improve the quality of mortgage underwriting** and provide an accurate picture of repayment risk and the expected costs of homeownership
- **Greatly accelerate the supply of and demand for energy-efficient new homes**
- **Quickly return any incremental cost** for homebuyers due to home efficiency improvements
- **Encourage the purchase of energy-efficient homes** that reduce utility bills for American homeowners and reduce the vast amount of energy consumed in homes
- **Consistently and accurately account for energy efficiency in appraisals**, enabling builders and homeowners to invest in energy-saving features
- **Put people in the construction and manufacturing sectors back to work** renovating and building energy-efficient homes and products



## SUPPORTERS

The nation's largest homebuilders, along with leading realtors and energy efficiency, environmental and building code development organizations, support the SAVE Act. This broad-based coalition includes:

### Leading Builders of America

LBA is a Washington based trade organization that represents sixteen of the largest home building companies in the United States. In 2009, LBA member companies delivered 99,000 new homes in 34 states. Member companies account for more than 300,000 jobs annually through direct employment and engagement of sub-contractors. [www.leadingbuildersofamerica.org](http://www.leadingbuildersofamerica.org)

### Alliance to Save Energy

The Alliance to Save Energy is a coalition of prominent business, government, environmental, and consumer leaders who promote the efficient and clean use of energy worldwide to benefit consumers, the environment, economy, and national security. [www.ase.org](http://www.ase.org)

### American Council for an Energy-Efficient Economy

The American Council for an Energy-Efficient Economy is an independent, nonprofit organization dedicated to advancing energy efficiency as a means of promoting economic prosperity, energy security, and environmental protection. [www.aceee.org](http://www.aceee.org)

### Building Energy Efficient Codes Network

The Building Energy Efficient Codes Network is the Alliance to Save Energy's coalition to influence national public policy and public opinion on energy efficient codes.

### Earth Advantage Institute

Earth Advantage Institute is a nonprofit organization that works with the building industry to help implement sustainable building practices. Its mission is to create an immediate, practical and cost-effective path to sustainability and reduction of carbon in the built environment. [www.earthadvantage.org](http://www.earthadvantage.org)

### EcoBroker

EcoBroker is the premier provider of green designation training for real estate professionals. Founded in 2002, the company has built a solid foundation of environmental education and outreach helping consumers and communities take advantage of energy efficiency

and environmentally sensitive design in real estate properties. [www.ecobroker.com](http://www.ecobroker.com)

### Efficiency First

Efficiency First is a national nonprofit trade association that unites the Home Performance workforce, building product manufacturers and related businesses and organizations in the escalating fight against global warming and rising energy costs. [www.efficiencyfirst.org](http://www.efficiencyfirst.org)

### Institute for Market Transformation

The Institute for Market Transformation (IMT) is a Washington, DC-based nonprofit organization promoting energy efficiency, green building and environmental protection in the United States and abroad. IMT's work addresses market failures that inhibit investment in energy efficiency and sustainability in the building sector. [www.imt.org](http://www.imt.org)

### International Code Council

The International Code Council (ICC) is a membership association dedicated to building safety and fire prevention. ICC develops the codes and standards used to construct residential and commercial buildings, including homes and schools. [www.iccsafe.org](http://www.iccsafe.org)

### Natural Resources Defense Council

The Natural Resources Defense Council is a national, nonprofit organization of scientists, lawyers and environmental specialists dedicated to protecting public health and the environment. Founded in 1970, NRDC has 1.3 million members and online activists, served from offices in New York, Washington, Chicago, Los Angeles, San Francisco and Beijing. [www.nrdc.org](http://www.nrdc.org)

### U.S. Green Building Council

USGBC is a Washington, D.C.-based nonprofit organization committed to a prosperous and sustainable future for our nation through cost-efficient and energy-saving green buildings. [www.usgbc.org](http://www.usgbc.org)

### FOR MORE INFORMATION, PLEASE CONTACT

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<sup>1</sup>Energy & Cost Savings Analysis of 2009 IECC Efficiency Improvements. [http://www.thirtypercentsolution.org/solution/EECC-Savings\\_Analysis-Jan-2009.pdf](http://www.thirtypercentsolution.org/solution/EECC-Savings_Analysis-Jan-2009.pdf)

<sup>2</sup>U.S. EPA ENERGY STAR Program. [http://www.energystar.gov/index.cfm?c=new\\_homes.hm\\_index](http://www.energystar.gov/index.cfm?c=new_homes.hm_index)

#### Graph Data:

**Energy data** (2008 figure): EIA 2005 Residential Energy Consumption Survey: Energy Consumption and Expenditures Table US10. Average Expenditures by Fuels Used, 2005, Dollars per Household, adjusted for 2008 using BLS Household Energy Price Index.

**Property tax data** (2008 figure): The Tax Foundation, Property Taxes on Owner-Occupied Housing by County, 2005 - 2008, Ranked by Taxes as Percentage of Home Value, available at <http://www.taxfoundation.org/taxdata/show/1888.html>.

**Homeowner insurance data** (2007 figure (latest available)): National Association of Insurance Commissioners (NAIC), Annual Homeowners Insurance Report.



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## Media Statement

**Steven J. Hilton, Chairman**

**Leading Builders of America Energy Working Group**

**July 26<sup>th</sup>, 2010**

Today, we have a unique opportunity to take energy efficiency in American home building to a new and unprecedented level. Working in partnership with the Institute for Market Transformation, The Alliance to Save Energy and the Natural Resources Defense Council, we have developed an approach to mortgage underwriting and appraisals that will make new homes more energy efficient and retain their affordability for homebuyers.

This innovative approach will make a positive contribution to the environment, the economy, our energy independence and the future of our industry.

The member companies of Leading Builders of America have a long and distinguished track record of building energy efficient homes that result in lower operating costs for our customers. We know how to do it. Unfortunately, using today's mortgage underwriting and appraisals policies, prospective homeowners lose the benefit of energy efficiency when financing their home purchase.

With these underwriting and appraisal reforms in place, we believe it is possible to increase the energy efficiency of new homes by up to 50% over the next decade while retaining affordability for our customers. This truly is a win-win opportunity for our customers, the economy and our environment.

We want to thank Senator Michael Bennet of Colorado for taking the lead in championing this proposal in Congress. We look forward to working with the senator and our other partners to enact this legislation.

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**About Leading Builders of America** – LBA is a Washington based trade organization that represents sixteen of the largest home building companies in the United States. In 2009, LBA member companies delivered 99,000 new homes in thirty-four states. Member companies account for more than 300,000 jobs annually through direct employment and engagement of sub-contractors. More information is available at [www.leadingbuildersofamerica.org](http://www.leadingbuildersofamerica.org)

**About Steven J. Hilton** – Steve Hilton is Chairman and Chief Executive Officer of Meritage Homes (NYSE-MTH). Meritage is one of the top-ten home builders in the United States having sold more than 65,000 homes coast-to-coast. Meritage is a leader in energy efficient homebuilding. All Meritage homes meet or exceed Energy Star standards. Steve is a Director of Leading Builders of America and chairs the Energy Working Group for the Association.

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**Statement of Cliff Majersik  
Executive Director, Institute for Market Transformation  
July 27, 2010**

By reforming mortgage underwriting practices to account for the energy costs of homeownership, the SAVE Act will encourage the purchase of energy-efficient homes that reduce utility bills for American homeowners and put people in the construction and manufacturing sectors back to work renovating and building energy-efficient homes and products.

Monthly energy bills are a significant factor in a homeowner's ability to make mortgage payments. The typical U.S. household spends more than \$2,300 in annual energy costs – more than the average cost of property taxes or homeowners insurance, two expenses that are routinely underwritten in a mortgage loan. Energy-efficient homes can significantly reduce utility bills for homeowners, yet these cost savings are not reflected in current mortgage underwriting practices. By accounting for these cost savings, the SAVE Act makes it easier and more appealing for homeowners to purchase efficient homes, benefitting consumers, the economy and the environment.

We want to thank Sen. Michael Bennet of Colorado for taking the lead in championing this proposal in Congress. We look forward to working with the senator and our other partners, including the Leading Builders of America, the Alliance to Save Energy and the American Council for an Energy-Efficient Economy, to enact this legislation.

**ABOUT THE INSTITUTE FOR MARKET TRANSFORMATION**

The Institute for Market Transformation (IMT) is a nonprofit organization dedicated to the promotion of energy efficiency, green building and environmental protection in the United States and abroad. Our activities include technical and market research, educational outreach, and the crafting of building codes and other policy and program initiatives. Much of IMT's work addresses market failures that inhibit investment in efficiency and green buildings. IMT is a member of the broad-based Energy Efficient Codes Coalition. For more information, visit [www.imt.org](http://www.imt.org).