

Energy-Efficient Mortgages

Are you buying a new home? For most people, energy bills are the largest monthly cost of housing next to mortgage payments.

An Energy-Efficient Mortgage (EEM) may be the key to buying a new home built to energy-efficiency standards, or buying an existing home and making improvements so that it meets energy-efficiency standards.



Lower Energy Bills Mean Greater Purchasing Power

With an Energy-Efficient Mortgage, you may qualify for a larger loan. You'll spend less on monthly electric bills, so you may qualify for a larger monthly mortgage based on your monthly income.

Energy-efficient homes may cost a little more up front, but you'll save on monthly energy bills. Because of the lower cost, lenders are willing to stretch the housing debt-to-

income ratios by 2 to 5 percent. This gives you greater buying power. The chart below shows how much more home you can buy with only a 2 percent increase in your qualifying ratios.

Buy More Home for Your Money

	Standard Home Without Energy Improvements	Energy Efficient Home With an EEM
Buyers Total Monthly Income	\$4,000	\$4,000
Maximum Monthly Payment (including taxes and insurance)	\$1,120 (28% ratio)	\$1,200 (30% ratio)
Mortgage Amount (8% interest, 30 years)	\$135,600	\$146,500
Home Value at 80% Loan-to-Value	\$169,500	\$183,125
Added Borrowing Power Due to EEM		\$13,625

Note: The values in this table are for illustration only. Actual costs and savings may vary from home to home.

Finance Energy-Efficiency Improvements

If you're buying a home that needs energy-efficiency improvements, an EEM may provide the money you need to pay for them. Your monthly payments will increase slightly, but the savings you'll see in your monthly energy bills will most likely offset the additional mortgage expense. You may save each month!

The chart below shows how financing energy efficiency improvements at the time of purchase can put more money in your pocket every month.

Finance Efficiency Improvements Into Your Purchase		
	Standard Home Without Energy Improvements	Energy Efficient Home
Home Price	\$150,000	\$153,000
Mortgage Amount (20% down payment)	\$120,000	\$122,400
Monthly PITI Mortgage Payment (8% interest, 30 years)	\$1006	\$1023
Monthly Energy Bills	\$130	\$100
Total Monthly Payment (includes \$125 for taxes and insurance)	\$1,136	\$1,123
Monthly Savings		\$13
Annual Savings		\$156

Note: The values in this table are for illustration only. Actual costs and savings will vary from home to home.

How Do I Qualify for an EEM?

To qualify for an EEM, you must buy a home that meets lender standards for energy efficiency. If you or your builder don't know if the home you want qualifies, your lender will have a home energy rating done by a certified energy rater, who will inspect the home and determine if it meets required efficiency levels.

If the home you are planning to buy isn't up to efficiency standards, you can include the cost of energy-efficiency improvements in your loan. To do so, you'll need bids for the improvements. Your lender will evaluate the improvements to make sure they're cost-effective.

If they are, the cost of the improvements will be included in your new mortgage, and the improvement funds will be placed in an escrow account. Be sure you understand the time requirements to make the improvements.

For More Information Call the APS Energy Answer Line

For more information on Energy-Efficient Mortgages, ask your lender, realtor or builder. For information on energy savings, call the **APS Energy Answer Line in Phoenix at (602) 371-3636 or toll-free 1 (888) 890-9730**. You can also visit our web site at www.apsc.com.