

Vermont Green Home Alliance

Working to transform the real estate market so that sellers and buyers can identify and accurately value energy-efficiency and green building benefits.

September 20, 2016

Dear Lender,

While location, design, and price are a home buyer's main considerations, [surveys show](#) that buyers rank energy efficiency as one of the most desirable features, and importantly, when there is sufficient energy savings - one they're willing to pay more for.

Calculated using [Home Energy Rating Scores](#) (HERS), homes built to the 2015 International Energy Conservation Code (require by Vermont's [Residential Building Energy Standards](#)), are 28-35% more efficient than those built to the 2009 IECC or earlier. These homes will be more comfortable to live in and have much lower monthly energy bills.

A March 2013 Research Report, [Home Energy Efficiency and Mortgage Risks](#) conducted by the University of North Carolina at Chapel Hill Center for Community Capital and the Institute for Market Transformation, "examined actual loan performance data obtained from CoreLogic, the lending industry's leading source of such data." In this study, "a national sample of about 71,000 ENERGY STAR and non-ENERGY STAR-rated single-family home mortgages and was carefully constructed, accounting for loan, household, and neighborhood characteristics." And, "The study indicates that default risks are on average 32 percent lower in energy efficient homes, controlling for other loan determinants."

However, these high-performance houses have unique features compared to a traditionally built home and:

- databases are insufficient presenting research challenges;
- most appraisers do not have training about this specialized property type; and,
- without knowledge of construction methods and benefits to the owner, it will be difficult for the appraiser to appraise this specialized property type appropriately.

Fannie Mae, Freddie Mac and FHA [guidelines](#) require appraisers to be competent to consider the energy efficient features of the home, and if the market supports an adjustment in the appraised value, one must be made.

How can a lender identify and locate local appraisers competent to appraise this specialized property type? An excellent appraisal training opportunity is coming up as two of three courses required for a residential listing on the Appraisal Institute's [Valuation of Sustainable Buildings Professional Registry: Introduction to Green Buildings: Principles & Concepts](#) and [Case Studies in Appraising Green Residential Buildings](#) will be offered by the NH/VT Chapters in October 13th and 14th in Concord, NH. Please note that appraisers do not have to be AI members to take these courses or to be listed on this Registry.

The Vermont Green Home Alliance (VGHA) is working on improved means for sharing accurate energy efficiency and green building information for both new construction and existing homes through our MLS, the New England Real Estate Network. We highly recommend that lenders encourage appraisers on their rotation lists to attend these courses as the Vermont market is moving to high performance. It's in your interest to be ready to serve this rapidly growing market.

Sincerely,

The Vermont Green Home Alliance

- *Association of Vermont Credit Unions*
- *Building for Social Responsibility*
- *Building Performance Professionals Association of Vermont*
- *Efficiency Vermont*
- *Energy Futures Group*
- *Home Builders & Remodelers Association of Northern Vermont*
- *New England Real Estate Network*
- *Passive House Alliance – Vermont Chapter*
- *Vermont Association of Professional Home Inspectors*
- *Vermont Chapter of the Appraisal Institute*
- *Vermont Energy Investment Corporation*
- *Vermont Green Building Network*
- *Vermont Housing Finance Agency*
- *Vermont Mortgage Bankers Association*
- *Vermont Realtors®*
- *VSECU – a credit union serving all Vermonters*

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