

# The SAVE Act

## Sensible Accounting to Value Energy

Senator Johnny Isakson (GA), Senator Michael Bennet (CO)

With no new government spending or mandates the SAVE Act will create jobs, put money back in homeowner’s wallets, help make America more energy independent, and lead to more sound mortgage underwriting practices. The SAVE Act is a bipartisan bill with support from organizations such as the U.S. Chamber of Commerce, National Association of Home Builders, and the National Association of Manufacturers. The legislation would improve federal mortgage underwriting by including a home’s expected energy cost savings when determining the value and affordability of energy efficient homes.

- ***Spark job creation and innovation in the housing and manufacturing industries***
- ***Enable better mortgage underwriting***
- ***Reduce utility bills for American homeowners***
- ***Provide affordable financing for home energy improvements***

### Support the Family Budget and the American Economy

Current federal underwriting and appraisal practices do not fully consider the value of energy efficient features. This makes it increasingly difficult for moderate and middle income homeowners to finance the upfront cost of efficiency improvements, even though the features will save them money over time—money that can be otherwise reinvested in the American economy. With no tax increase, government subsidy, or mandate, the SAVE Act would strengthen federal underwriting policy, help finance energy efficient homes and retrofits, and create vitally needed jobs in local markets.

### How Would the SAVE Act Work?

The SAVE Act provides guidance to the Department of Housing and Urban Development (HUD) to issue updated underwriting and appraisal guidelines for borrowers who submit a qualified home energy report. The bill would cover any loan issued, insured, purchased, or securitized by federal mortgage loan insurance agencies or their successors. These agencies collectively guarantee more than 90 percent of all new loans. The bill has three components:

#### Debt-to-Income Adjustment

Instructs lenders to account for expected energy cost savings as an offset to other expenses in the debt-to-income qualifying ratio, which tests the borrower’s ability to afford monthly mortgage payments. If no qualified energy report is provided, the DTI will not be adjusted.

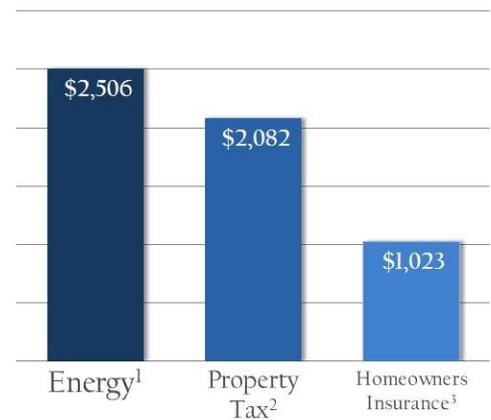
#### Loan-to-Value Adjustment

Instructs lenders to add the present value of expected energy savings when calculating the loan-to-value ratio, where not already accounted for in the home’s appraisal report. If no qualified energy report is provided, the valuation will not be adjusted.

#### Consumer Information

Instructs lenders to inform loan applicants of the costs and benefits of energy efficiency and resources for improving the energy efficiency of a home.

Average U.S. Homeowner Costs: 2012



Sources: EIA Annual Energy Outlook 2014; 2012 American Community Survey; National Association of Insurance Commissioners, 2012 Annual Homeowners Insurance Report

**The SAVE Act is expected to provide \$11 billion in energy savings and create tens of thousands of jobs, while bolstering the country’s energy independence by reducing the need for foreign oil.**

## What Are the Benefits?

### Job growth and innovation in the construction and manufacturing sectors

By removing barriers to energy efficiency investments by home owners and builders, the SAVE Act will increase the supply of and demand for energy-efficient new homes and improvements, putting people in the construction, remodeling, and manufacturing sectors back to work. The SAVE Act is expected to create over 50,000 jobs and provide \$1.1 billion in energy savings.

### No new government spending and fewer mortgage defaults

The bill does not rely on taxes or fees; instead it removes current obstacles holding back more efficient building and remodeling of our homes. A recent study of more than 70,000 mortgages found that mortgages on energy efficient homes were 32 percent less likely to be in default. The study provides strong evidence that the SAVE Act is good credit policy and would help protect lenders and taxpayers from the risk of mortgage default.

### Reformed federal mortgage policy

While investments in energy efficiency can offer impressive returns to homeowners, paying for themselves in utility bill savings while mitigating the risks of energy price volatility, these improvements are rarely recognized in home appraisals, preventing homebuilders and home owners from recovering the cost of efficiency investments at the closing table. With the SAVE Act, homebuilders and sellers will benefit from knowing that their energy-efficient homes will be more appropriately valued.

### Lower utility bills and better use of household budgets

The typical U.S. homeowner pays \$2,500 on home energy bills each year. A small upfront investment in energy efficiency upgrades could reduce a home's energy bills by 30 percent or more and protect against future energy price shocks, all while improving the comfort and value of the home. The energy dollar savings, re-directed to main street businesses and manufacturers, would produce a multiplier effect, generating additional economic activity and jobs.

### Increased energy independence

The SAVE Act would allow American home owners to finance cost-effective home energy upgrades as part of their traditional mortgage. The result is better and cheaper access to capital to invest in enabling homes to put domestic energy sources to better use, moving the United States toward greater energy independence and security.

### Broad business support

The bill brings together a broad and diverse coalition of supporters representing American business, such as the National Association of Manufacturers, BASF, DOW, and the U.S. Chamber of Commerce.

## Coalition of Supporters:

*For a complete list, please see [www.imt.org/SAVE-Act](http://www.imt.org/SAVE-Act)*

#### Real Estate / Buildings

- American Institute of Architects
- Appraisal Institute
- ASHRAE
- EcoBroker
- Green Builder Coalition
- International Association of Certified Home Inspectors
- International Code Council
- Leading Builders of America
- Metal Roofing Alliance
- National Association of Homebuilders
- National Association of Realtors
- National Housing Trust
- The Real Estate Roundtable
- U.S. Green Building Council

#### Business

- American Chemistry Council
- BASF
- Bayer MaterialScience
- Blow In Blanket Contractors Association
- E2 Environment Entrepreneurs
- Efficiency First
- DOW
- International Economic Development Council
- National Association of Manufacturers
- National Electrical Manufacturers Association
- North American Insulation Manufacturers Association
- Residential Energy Services Network
- U.S. Chamber of Commerce
- Window and Door Manufacturers Association

#### Energy and Public Policy

- Alliance to Save Energy
- American Council for an Energy-Efficient Economy
- American Gas Association
- American Public Gas Association
- Center for American Progress
- Center for Neighborhood Technology
- Consumer Federation of America
- Energy Programs Consortium
- Environmental Defense Fund
- Institute for Market Transformation
- Natural Resources Defense Council
- National Association of State Energy Officials

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