Appraised Value and Energy Efficiency: Getting it Right

While location, design and price are a home buyer's main considerations, surveys show that buyers rank energy saving features and equipment (e.g., air and duct sealing, insulation, and high-efficiency heating, ventilation, and air conditioning equipment) as desirable features for which buyers are willing to pay more. The home may also have an addition built to the 2012 or 2015 International Energy Conservation Code (2012 IECC or 2015 IECC), which would make the addition between 15 and 16 percent more efficient than if built to previous codes.

However, energy efficiency may be overlooked in the appraisal process for a variety of reasons, including a lack of access to quality data, underwriting impediments, and appraiser qualifications. Many appraisers may not be aware of the unique features of an energy efficient home.

To ensure that a home's green and/or energy efficient features and equipment are taken into account during an appraisal, it is important to document the home's energy efficiency features in a standard format. This documentation may be completed as part of an energy upgrade through a program such as the



Department of Energy's Home Performance with ENERGY STAR® program or as part of the generation of a recognized energy performance score, such as a Home Energy Score ("HEScore"), a Home Energy Rating System ("HERS") index, or other metric. It is also important for homeowners to choose an appraiser that is qualified to value the green and/ or energy efficiency features of a high performing, energy efficient home in the local real estate market.

A Ready-Made Solution Exists

Fannie Mae, Freddie Mac and Federal Housing Administration require appraisers to consider the energy efficient features of the home. There are many specially-trained appraisers who are qualified to assess the value of these features that are often hidden behind the drywall.

What Can Contractors Do?

Contractors can help clients ensure that a qualified appraiser is selected by doing the following things:

- Complete and provide homeowners with the Residential Green and Energy Efficient Addendum, available at http://www.appraisalinstitute.org/assets/1/7/Interactive820.04-ResidentialGreenandEnergyEffecientAddendum. pdf.
- Provide homeowners with a copy of a completed third-party-certified inventory of home's energy efficiency
 features in a standard format, such as a certificate that conforms to the *Building Performance Institute's 2101-S-*2013 Standard Requirements for a Certificate of Completion for Residential Energy Efficiency Upgrades, available
 at http://www.hpxmlonline.com/wp-content/uploads/2017/02/BPI-2101-S-2013-Standard-Requirements-for-a-Certificate-of-Completion-for-Residential-Energy-Upgrades-2013-09-03.pdf, and/or a copy of a completed report
 with a HERS rating, HEScore, or other recognized energy performance score (if available).
- 3. Prepare the homeowner to notify the lender that they require an appraiser that is qualified to value energy efficient, high performing homes. Add your logo, the property address, and contact information to the letter for Lenders. Direct your client to give the letter (along with information outlined in the bullets above) to their lender.











For Buyers

ENSURING A QUALIFIED APPRAISER FOR YOUR HOME

Your home has higher energy efficiency or green standards than many others on the market because you or a previous owner implemented a whole-house energy upgrade, or installed green or high-efficiency equipment and features. Homes like yours typically perform better than homes built during the same period or earlier. Your home may be more healthy and comfortable to live in, and will likely have lower monthly energy bills than comparable homes without these features. Some of your home features may include:

- More wall and ceiling insulation to keep conditioned air inside your home
- Windows that keep the heat out in the summer months to improve comfort
- Fewer drafts and air leaks, which improve indoor comfort and reduce energy costs
- High-efficiency heating, ventilation, and air conditioning ("HVAC") equipment and sealed ducts, which reduce energy consumption and increase comfort by distributing heated and cooled air evenly through the home

What You Need To Know Regarding the Loan/Appraisal Process

Some lenders randomly assign an appraiser to estimate the value of a home. However, yours is not a typical home because it is a higher-performing building or one with unique green or high-performance features. Fannie Mae, Freddie Mac and Federal Housing Administration require appraisers to be qualified to appraise the specific property in the assignment. To ensure that the appraiser takes your home's unique features into account, you should clearly identify the property as a special property type, which requires an appraiser qualified in the valuation of energy efficient, high-performing homes.

What You Need to Do

Provide your lender with one or more of the following information provided to you by the builder, retrofit contractor, homeowner, energy rater, green certification, or Home Energy Rating System ("HERS") report:

- The lender letter regarding this special property type and the need for an appraiser qualified to value energy efficient, high-performing homes.
- A third-party-certified inventory of the home's energy efficiency features in a standard format, such as a
 certificate that conforms to the *Building Performance Institute's 2101-S-2013 Standard Requirements for a*Certificate of Completion for Residential Energy Efficiency Upgrades, available at http://www.hpxmlonline.com/wp-content/uploads/2017/02/BPI-2101-S-2013-Standard-Requirements-for-a-Certificate-of-Completion-for-Residential-Energy-Upgrades-2013-09-03.pdf.
- A recognized energy performance score, such as a Home Energy Score, a HERS rating, or other metric such as those listed on the Lawrence Berkeley National Laboratory's *Information Atlas for Appraising Green and High-Performing Buildings*, located at: https://sites.google.com/site/appraisinghpbuildings/key-topics/rating-systems.











For Lenders

Dear Lender,
The home located at:
is a special property type. It has green and/or energy efficient, high-performing features that may include:
• Existing home that has received an energy upgrade through a program such as the Department of Energy's Home Performance with ENERGY STAR® program
 Existing home with green, energy efficient or other high-performing features such as high-efficiency HVAC equipment, high-quality insulation, air or duct sealing, and similar features
 An addition built to the 2012 or 2015 International Energy Conservation Code (2012 IECC or 2015 IECC)
Description of energy efficient and/or green features:
A completed copy of the <i>Residential Green and Energy Efficient Addendum</i> , and the energy report (if available, or two years of utility bills) should be included with the appraisal engagement letter. Fannie Mae, Freddie Mac and Federal Housing Administration require lenders to choose appraisers properly qualified to value the green and/or energy efficiency features of a high performing, energy efficient home in the local real estate market.
You can access a list of appraisers who may have those qualifications at the <i>Valuation of Sustainable Buildings</i> **Professional Development Program Registry, available at: http://www.myappraisalinstitute.org/findappraiser/green_sustainability_residential.aspx.
These specially-trained appraisers have completed 28 hours of education and passed three exams. If the appraisers on your panel are not on this list, they can complete 14 education hours online to get started at: http://www.myappraisalinstitute.org/education/course_descrb/Default.aspx?prgrm_nbr=826&key_type=CO.
Appraisers on this list are not required to be Appraisal Institute members but must take the required courses and pass the exams to be listed.
If you have questions, please contact:
NAME:
PHONE:EMAIL ADDRESS: