



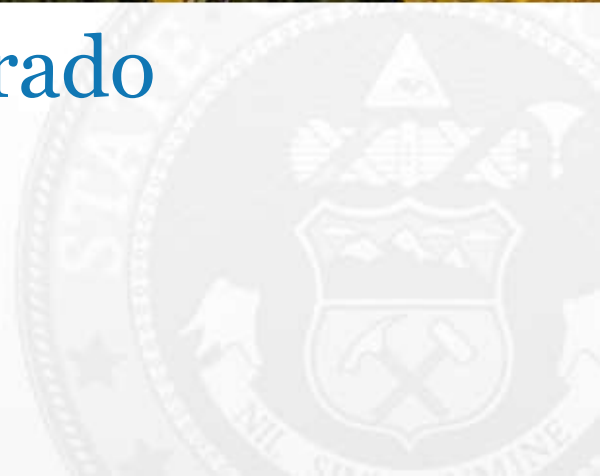
Colorado  
Energy Office



# Driving Product Demand in Colorado

Peter Rusin, Residential Program Manager

October 10th, 2013



## Colorado's Energy Economy

### Mission:

Innovative  
Production

Efficient  
Consumption

All Resources

All Economic Sectors

### Vision:

Economic  
Prosperity

Healthier  
Citizens

Healthier  
Environment

# Commercial PACE

---

Private capital provides 100% upfront, low-cost, long-term funding

Repayment through property taxes

A senior PACE lien is put on the property and stays regardless of ownership

## Benefits:

- Longer duration financing improves monthly cash flow and supports deeper retrofits
- Financing 100% of project results in zero up-front costs for the property owner
- Connecting energy improvement costs to a property assessment makes it easier for owners to pass project costs to the tenants who receive the utility bill savings
- Assessments transfers with the property connecting project costs and savings

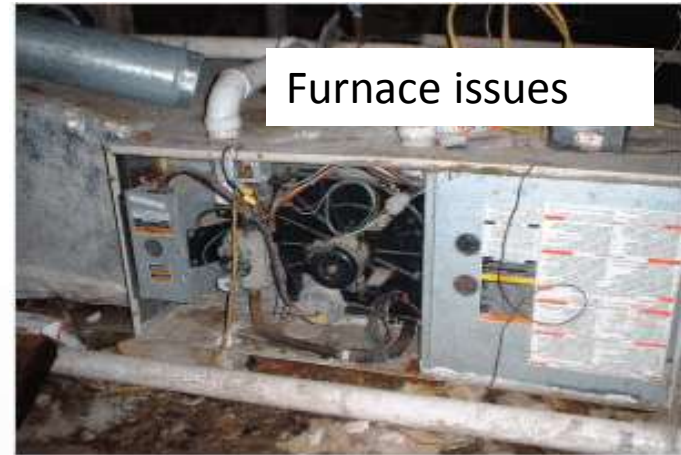
# Commercial PACE

---

## How does this drive demand?

- Private Energy Performance Contracting (EPC) program biggest barrier to rapid uptake is access to financing.
  - Inability to add a junior loan on a commercial loan
  - Longer duration terms not currently available in the market
  - Resolves the split incentive issue (tax assessment)

# What is an Energy Efficient Mortgage?



## What is it:

- It is a loan feature not an actual product.
- In many cases the buyer must have a HERS Index Rating to ensure improvements are cost effective, but no second appraisal needed or contractor bids before closing
- All FHA and VA loans can use the features.
- A general rule of thumb in Colorado for FHA loans for available funds is the value of the house x 5%



# Colorado Energy Saving Mortgage Incentive

## Who and What:

- The Colorado Energy Office (CEO) can partner with any bank in Colorado to offer a tiered incentive based on the HERS Index Scale. (starting in Winter 2013)
- Works with any mortgage product including the EEM products
- Max credit for new net-zero home is \$8,000 and \$6,000 for an existing home.

## To Qualify:

- A new home must have a HERS Index rating below 50
- Existing homes must have a HERS Rating and prioritize air sealing, insulation, and heating equipment before moving onto other items.

# FHA's Energy Efficient Mortgage (EEM)

## Quick highlights:

- Any FHA lender can offer the EEM
- No second appraisal is needed
- Contractors and bids DO NOT have to be in place prior to closing

## Easy Calculation to know the maximum amount:

- Using rule of thumb for a \$120,000.00 home value. (Not mortgage amount)
  - The Value x 5%, \$6,000.00
  - Selected improvements estimated at 35 HERS point reduction = \$3,000
  - \$9,000 that the home owner can spend on a deep retrofit.

# VA's Energy Efficient Mortgage (EEM)

---

## Quick Highlights:

- Any VA lender can offer the EEM
- No second appraisal is needed, if under \$6,000
- Does require bids, but nothing else to slow your transaction

## Three Different Levels:

- Under \$3,000, no HERS Report needed
- \$3,000 - \$6,000, HERS Report needed to prove energy savings
- Over \$6,000, appraisal needed to show added value to property



# Contact Us

---

## Colorado Energy Office (CEO)

State of Colorado

John W. Hickenlooper, Governor

1580 Logan Street, Suite OL1

Denver, Colorado 80203

[www.colorado.gov/energy](http://www.colorado.gov/energy)



The Colorado Energy Office



@coenergyoffice

### *CEO Subject Matter Experts*

#### **Peter Rusin**

Residential Program Manager

Peter.Rusin@state.co.us

303-866-2343