

MAKING THE INVISIBLE VISIBLE:

Valuing Home Energy Efficiency



Jeffrey Gephart
Vermontwise Energy Services, Inc.
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Vermont Green Home Alliance (VGHA)

The VGHA is an informal alliance of collaborating trade organizations & businesses that operates on a consensus basis.



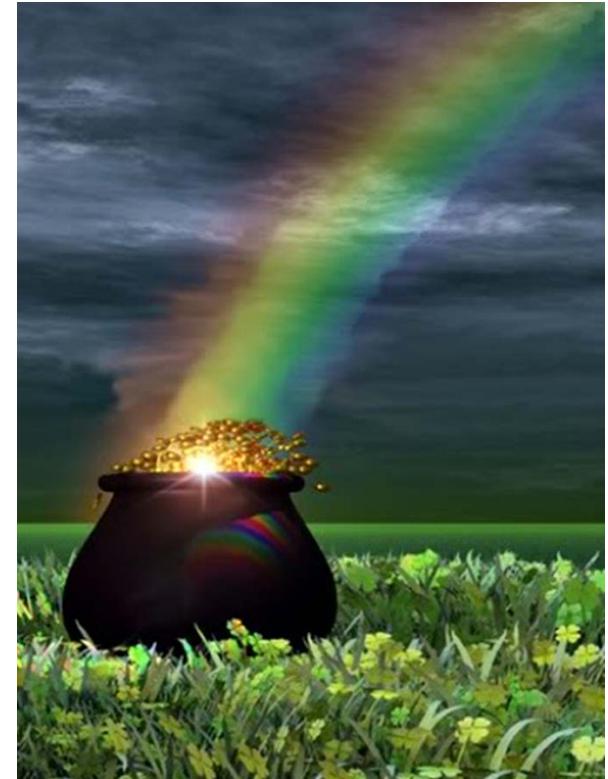
Vermont Green Home Alliance (VGHA)

- 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 (MLS)
- Vermont Passive House
- 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*

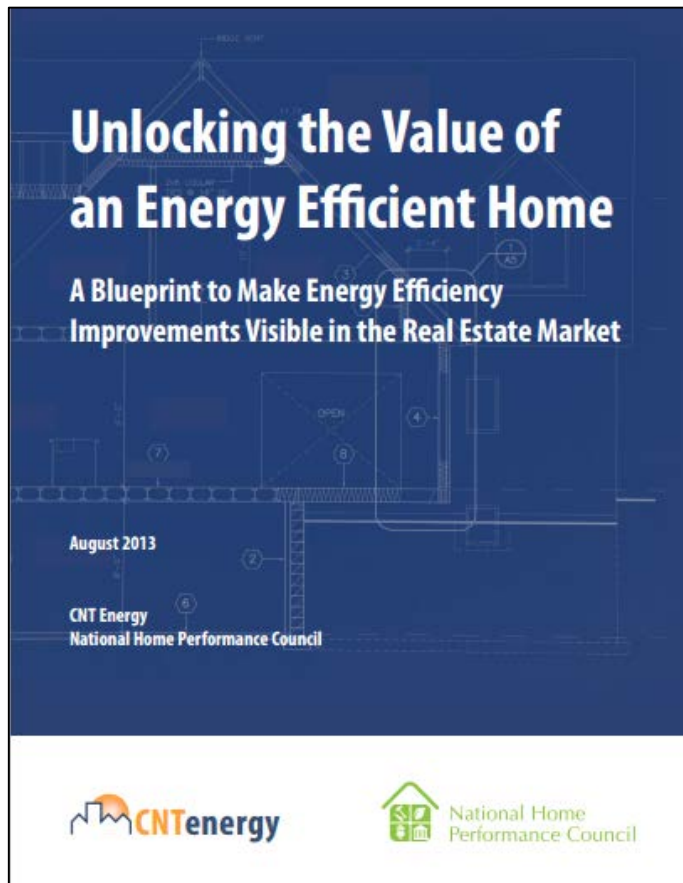
Vermont Green Home Alliance (VGHA)

Our Mission

Transformation of the real estate market so that buyers and sellers can identify and accurately value energy efficiency and renewable energy benefits.



Jeffrey Gephart, Vermontwise Energy Services,
Inc.



Visible Value Blueprint



www.mredllc.com/comms/documents/Unlocking_the_Value_an_Efficient_Home.pdf

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Visible Value Blueprint: 7 Steps

1. **Document** energy efficiency features and improvements using consistent, standardized methods.
2. **Disclose** inventories of energy efficient homes to track supply.
3. Capitalize on existing **(and/or create)** high-quality continuing **education** and designation training.
4. Work with the **MLS** community to ensure that **data** about home energy efficiency improvements are incorporated **into for-sale listings**.
5. Ensure that the data about home energy efficiency improvements are incorporated into the **appraisal process**.
6. Develop standards and IT solutions that allow quicker and more **automated transfer of data**.
7. Work with partner **financial institutions** to ensure selection of **qualified appraisers**.

Visible Value Blueprint Steps in Vermont

1. Document energy efficiency features and improvements using consistent, standardized methods.

New Home Construction

- Home Energy Rating
 - Efficiency Vermont Certified
 - ENERGY STAR® Certified Home
 - Efficiency Vermont Certified High Performance Home
- Passive House (PHIUS+)
 - LEED for Homes
 - National Green Building Standard

Existing Home Improvements

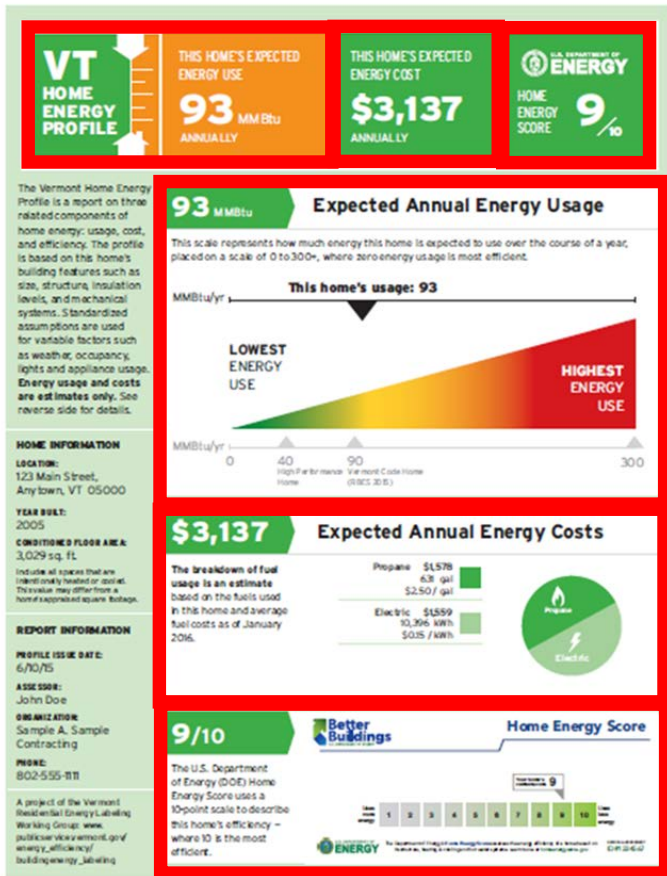
- Home Performance with ENERGY STAR
- U.S. DOE Home Energy Score
- Vermont Home Energy Profile



Visible Value Blueprint – Step 1 in Vermont

Vermont Home Energy Profile

- Asset rating for existing homes
- Profile estimates MMBtu/Year (all fuels)
- Estimates Cost/Year (all fuels)
- Includes the U.S. DOE Home Energy Score
- Piloted by home performance contractors, weatherization assistance programs, and property inspectors in VT



Efficiency
Vermont

Visible Value Blueprint Steps in Vermont

2. **Disclose** inventories of energy efficient homes to track supply.

Home Energy Rating Information Release:

The enrollee hereby **authorizes Efficiency Vermont to release** the following Home Energy Rating System (**HERS**) **information for** the purpose of assisting real estate appraisers and realtors in the **development of accurate home appraisals:** the **physical address** of the rated property; the **HERS Index Score**; whether the home is **labeled as** ENERGY STAR®, LEED for Homes, National Green Building Standard, or Passive House; and the **date** that Efficiency Vermont criteria was met.

Requests by enrollees **to withhold such release will be honored**, providing such notification is received prior to completion of HERS documentation. For all enrolled properties, Home Energy Rating and associated project documents will be available to subsequent owners of the property upon request.



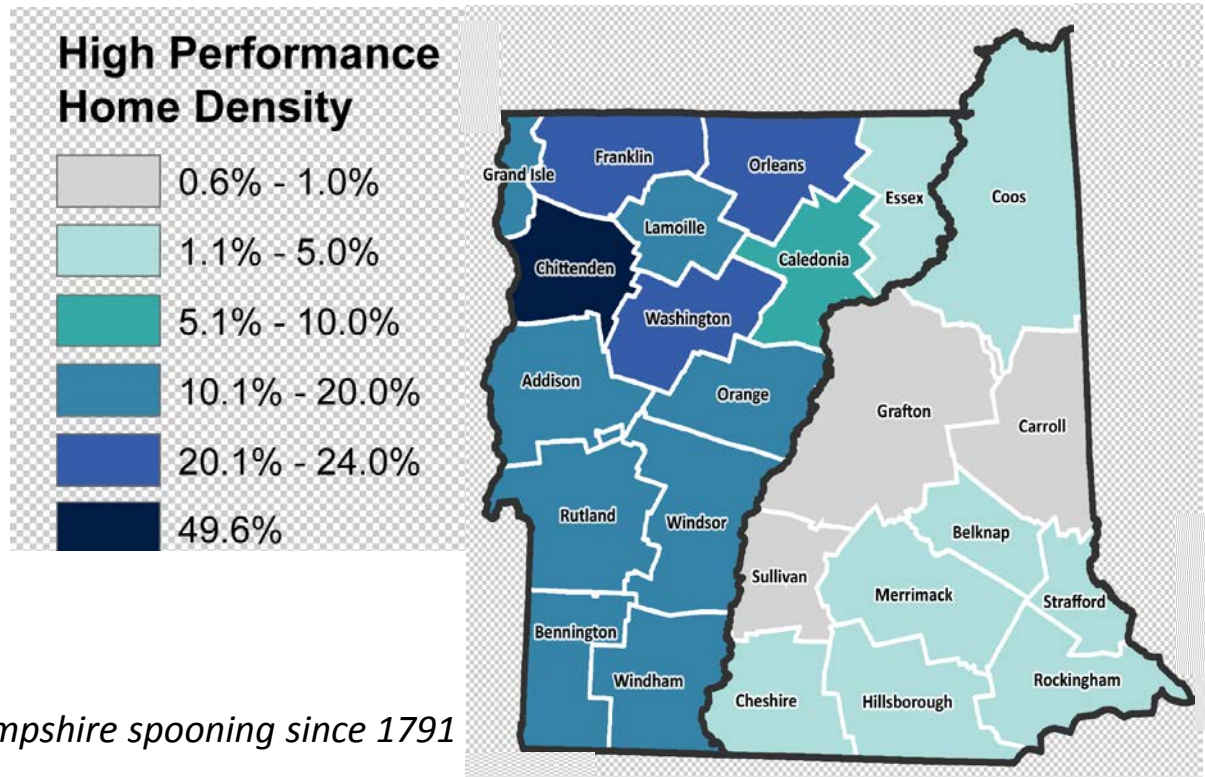
Visible Value Blueprint – Step 2 Disclose Inventories

High performance new home % of all new homes, 2000 to 2012.

Map by:



Data from:



Vermont & New Hampshire spooning since 1791

Visible Value Blueprint Steps in VT

3. Capitalize on existing **(and/or create)** high-quality continuing **education & designation training.**

Excerpt from Vermont Realtors® *Green News*



Realty's New Reality *The Emerging High-Performance Home Market*

June 16 / 10am-12:15pm
Marlboro Graduate Center / Brattleboro / 2 hrs CE

Back by popular demand, *Realty's New Reality* is a 2ce class that will focus on the emerging high-performance housing market in Vermont. This class will include an overview of the real estate value chain (green builders and contractors, listing agents,

NEREN's addition of green data fields to their MLS, appraisers, lenders, and homeowners) and how it relates to the proper valuation of more efficient homes. The class will also explore building ratings and certifications, such as ENERGY STAR®, Leadership in Energy and Environmental Design (LEED), and energy asset ratings such as the HERS Index Score, which introduces asset valuations. The class will also feature a highlight of legislation and incentives to fund energy-efficiency improvements, renewable energy, and sustainable design in New England. [REGISTER](#)

GREEN NEWS

News & Information for Vermont Realtors®

Appraised Value and Energy Efficiency: Getting it Right

The Vermont Green Home Alliance, through its member associations, is distributing *Appraised Value and Energy Efficiency: Getting it Right* to building design professionals, builders, home performance contractors, appraisers, lenders, and real estate agents. The Alliance works all to have an opportunity to prepare for the increasing level of high performance new home construction and existing home energy efficiency improvements happening in Vermont.

Developed by the Appraisal Institute and Building Codes Assistance Project (and since endorsed by the National Association of Home Builders), this short piece explains to real estate professionals and lenders why the appraisal of high performance homes is a complex appraisal assignment and, for Architects, builders, home performance contractors, and Mediators, how to proactively prepare buyers for loan applications and appraisals.

The Vermont Green Home Alliance is an informal alliance of collaborating trade organizations and businesses that operates on a consensus basis. We are working to educate real estate professionals about energy issues and to share accurate energy efficiency and green building information with the real estate market through the multiple listing service (MLS).




Vermont Green Home Alliance

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- Energy Future Group
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- Vermont Mediators
- VSCCU

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Visible Value Blueprint – Step 3 Educate

- Facilitate (market, underwrite, and incentivize), more of the **Appraisal Institute's Valuation of Sustainable Buildings Professional Development Program** courses to gain more **Registry** listings of competent appraisers.
- Develop additional training delivery options.



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Visible Value Blueprint Steps in Vermont

4. Work with the **MLS** community to ensure that **data** about home energy efficiency improvements are incorporated **into for-sale listings**.

RESO Approved 3rd party verified green fields

Green Building Verification (program)

Green Verification Body (sponsor)

Green Year Verified

Green Verification Rating (level achieved)

Green Verification Status (proposed or official)

Green Verification Metric (efficiency score)

Green Verification URL (web address for details)



RESO
REAL ESTATE STANDARDS ORGANIZATION

Data Dictionary

Visible Value Blueprint Steps in Vermont

5. Ensure that the data about home energy efficiency improvements are incorporated into the **appraisal process**.

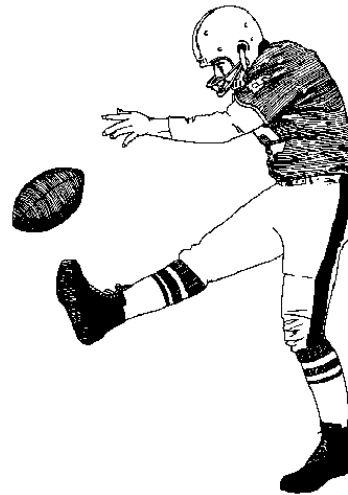
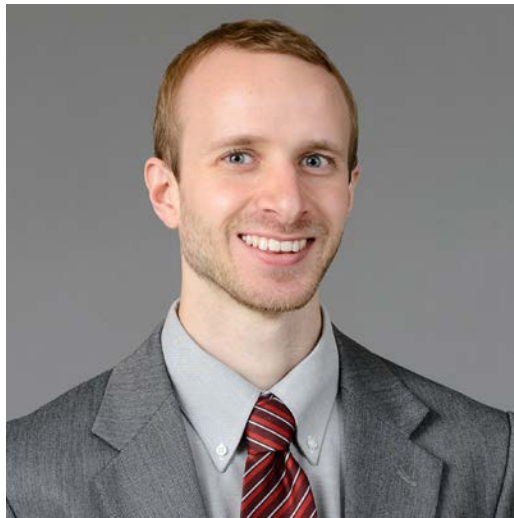
Educate the design, construction, and home performance communities (sellers and Realtors® too), on how to include energy efficiency and renewable energy information in the loan application and appraisal process.

Provide Data!

- **PV Value** (online calculation tool - www.pvvalue.com/)
- Incremental cost (**Cost Data Addendum for High Performance Homes**):
http://seecsolutions.com/wp-content/uploads/2013/03/EHI_Cost-Data-Addendum_03-04-13.pdf
- Appraisal Institute's **Residential Green and Energy Efficient Addendum**
www.appraisalinstitute.org/assets/1/7/Interactive820.04-ResidentialGreenandEnergyEffecientAddendum.pdf

Visible Value Blueprint Steps - NEEP

6. Develop standards and IT solutions that allow quicker and more **automated transfer of data**.



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Visible Value Blueprint Steps in Vermont

7. Work with partner **financial institutions** to ensure selection of **qualified appraisers**.

Appraised Value and Energy Efficiency: Getting it Right

Explains why there are issues with appraisals:

- Changes in market demand, energy code updates
- Fannie Mae, Freddie Mac, FHA requirements for appraiser competency

Explains possible solutions:

- How to prepare a loan applicant for the mortgage application and appraisal
- What a loan applicant needs to do when seeking the mortgage

<http://bcap-energy.org/appraised-value-and-energy-efficiency-getting-it-right/>

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 efficiency as one of the most desirable features, and importantly, when there is sufficient energy savings - sure, they're willing to pay more for. However, energy efficiency can 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. However, there are many specially-trained appraisers who are qualified to assess the value of these features that are often hidden behind the drywall. One way to know that a home is built energy efficiently is to know which energy code it was built to.

According to the U.S. Department of Energy, homes built to the 2012 or 2013 International Energy Conservation Code (IECC) are 15-16% more efficient than those built to the 2009 IECC or earlier. They will be more comfortable to live in and have lower monthly energy bills.

Fannie Mae, Freddie Mac and FHA guidelines require appraisers to consider the energy efficient features of the home, and if the market supports an adjustment, in the appraised value, one must be made, but an average appraiser won't take this into account if they aren't aware of it.



A ready-made solution exists.

Fannie Mae, Freddie Mac and FHA guidelines require lenders to choose competent appraisers who have the requisite knowledge required to perform a professional quality appraisal for the specific geographic location and particular property type.

Appraisers who are specially trained on energy efficient / high-performing homes will analyze market trends relating to special energy-efficiency features. You can access a list of qualified appraisers at the [Valuation of Sustainable Buildings Professional Development Program Registry](#).

What can builders do?

Builders can help the buyer assure a competent appraiser is selected by doing these things:

1. Complete and provide buyers with the [Residential Green and Energy Efficient Addendum form](#).
2. Provide a copy of a complete Home Energy Rating System (HERS) report (if available).
3. Prepare the buyer to notify the lender that they require a competent appraiser for this special type of construction; add your logo and provide a copy of the directions on the next page.
4. Add your logo, the property address, and contact info to the attached letter. Direct your buyer to give the letter (along with 1 and 2 above) to their lender.



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Appraised Value and Energy Efficiency: Getting it Right (page 2) – Step 7

FOR BUYERS:

ASSURING A COMPETENT APPRAISER FOR YOUR NEW HOME

Congratulations on choosing an energy efficient, high-performing home!

Your new home was built to higher energy efficiency standards that will improve your quality of life. Your home will be more comfortable to live in and have lower monthly energy bills than other newer homes on the market. According to the U.S. Department of Energy, homes built to the 2012 or 2015 International Energy Conservation Code (IECC) are 15-16% more efficient than those built to the 2009 IECC or earlier. 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 improves indoor comfort

What You Need To Know Regarding the Loan/Appraisal Process

As part of the typical loan process, lenders randomly assign an appraiser to determine the appraised value of a new home. However, yours is not a typical new home – it is a high-performing building with unique features. Fannie Mae, Freddie Mac and FHA guidelines require appraisers to be competent in the property type they are appraising. If you do not clearly identify the property as a special property type requiring a competent appraiser trained in energy-efficient, high-performance homes, a typical appraiser will be assigned, and these features may not be taken into account, which will put your appraisal at risk of not being competently appraised.

What You Need To Do

Provide your lender with three things provided to you by your builder:

FOR LENDERS

Dear lender,

The new home located at: _____ is a special property type. It is an energy efficient, high-performing home that meets the stringent energy efficiency requirements of the code checked below:

- ___ 2012 International Energy Conservation Code (2012 IECC)
- ___ 2015 International Energy Conservation Code (2015 IECC)

A copy of the Green and Energy Efficient Addendum form, and the HERS report (if available) should be included with the appraisal engagement letter. Fannie Mae, Freddie Mac and FHA guidelines require lenders to choose competent appraisers who have the requisite knowledge required to perform a professional quality appraisal for the specific geographic location and particular property type. As a high-performing, energy efficient home, it requires an appraiser that is competent to assess the value of the green and/or energy efficiency features in the local real estate market.

You can access a list of qualified appraisers at the *Valuation of Sustainable Buildings 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: http://www.myappraisalinstitute.org/education/course_descrb/Default.aspx?prgrm_nbr=826&key_type=CO

<http://bcap-energy.org/appraised-value-and-energy-efficiency-getting-it-right/>

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Visible Value Blueprint – Step 7 Ensuring Appraisal Competence

Course on Valuating Solar Promoted by VT Green Home Alliance



The Vermont Green Home Alliance is promoting a course to aid lenders, appraisers and others in the [Residential & Commercial Valuation of Solar](#) (read more or register via the link). It is one of three courses required for a listing on the Appraisal Institute's [Valuation of Sustainable Buildings Professional Registry](#) (appraisers do not need to be Appraisal Institute members to be Registry listed). Participation in the April 28th-29th course in Concord, NH provides 15 continuing education credits in Vermont and New Hampshire.

In an effort to help lenders, builders and others prepare for increasing levels of high performance new home construction and energy efficiency, the Vermont Green Home Alliance is also distributing [Appraised Value and Energy Efficiency: Getting It Right](#). Developed by the Appraisal Institute and Building Codes Assistance Project (and endorsed by the National Association of Home Builders), this short piece explains to real estate professionals and lenders why the appraisal of high performance homes is a complex appraisal assignment and, for architects, builders, and home performance contractors, how to proactively prepare customers for loan applications and appraisals.

AVCU is a member of the Vermont Green Home Alliance, which is an alliance of collaborating trade organizations and businesses working to educate real estate professionals and related persons about energy issues and to share accurate energy efficiency and green building information with the real estate market.

Association of
Vermont Credit
Unions (AVCU)
announcing AI's
***Residential and
Commercial Valuation
of Solar*** course and AI
and BCAP's ***Appraised
Value and Energy
Efficiency: Getting It
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Thank You...
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