

## Appraised Value & 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 - one they're willing to pay more for.<sup>1</sup> 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 2015 International Energy Conservation Code (IECC) are 15-16% more efficient than those built to the 2009 IECC or earlier. They will have fewer drafts, 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.<sup>2 3 4</sup>

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.<sup>5</sup>

### **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.<sup>6</sup>
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.

1 <http://energycodesocean.org/sites/default/files/resources/Homebuyer%20Demand%20Four%20Factsheets.pdf>

2 <http://portal.hud.gov/hudportal/documents/huddoc?id=40001HSGH.pdf#page=73>

3 <https://www.fanniemae.com/content/guide/sel121614.pdf#page=590>

4 [http://www.freddiemac.com/singlefamily/appraiser\\_independence\\_faq.html#30](http://www.freddiemac.com/singlefamily/appraiser_independence_faq.html#30)

5 [http://www.myappraisalinstitute.org/findappraiser/green\\_sustainability\\_residential.aspx](http://www.myappraisalinstitute.org/findappraiser/green_sustainability_residential.aspx)

6 <http://www.appraisalinstitute.org/assets/1/7/Interactive820.04-ResidentialGreenandEnergyEfficientAddendum.pdf>

## 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 have fewer drafts, 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 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:

- The lender letter regarding this special property type and the need for a trained, competent appraiser for energy-efficient, high-performing homes.
- The Appraisal Institute's Residential Green and Energy Efficiency Addendum, completed by your builder.
- The Home Energy Rating System (HERS) Report (if available).

## 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](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://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 our representative at:

NAME: \_\_\_\_\_  
PHONE: \_\_\_\_\_  
EMAIL ADDRESS: \_\_\_\_\_