

SENSIBLE ACCOUNTING TO VALUE ENERGY (SAVE) ACT OF 2013

The Sensible Accounting to Value Energy (SAVE) Act, S. 1106, was introduced by Senators Bennet (D-Colo.) and Isakson (R-Ga.) on June 6, 2013. This legislation would improve the accuracy of mortgage underwriting used by federal mortgage agencies by including energy efficiency as a factor in determining the value and affordability of a home. S. 1106 was referred to the Senate Committee on Banking, Housing, and Urban Affairs.

Summary

Home energy costs can make up a significant portion of a household budget; in many cases, utility bills are larger than both property taxes and homeowners insurance. However, household energy costs can vary substantially, depending on energy efficiency measures and other characteristics, making a home's efficiency level a key component in determining its value. Current appraisals do not account for energy efficiency when calculating the affordability and value of a home. The SAVE Act, which offers a voluntary energy efficiency evaluation as part of the mortgage underwriting process, would help consumers and lenders better evaluate the true value of residences.

SAVE Act

- No cost to taxpayers, and completely voluntary
- Increases access to energy efficient homes
- Encourages American households to implement energy efficiency measures, lowering their utility bills
- Help homeowners reflect the true value of their house when putting it on the market
- Reduces likelihood of foreclosure with a more accurate mortgage underwriting process

Specifically, the SAVE Act would direct the Department of Housing and Urban Development (HUD) to update its underwriting and appraisal guidelines for borrowers and homeowners who choose to submit a qualified home energy report. Lenders would justify expected energy cost savings by determining both the Debt-to-Income Ratio (testing of the borrower's ability to afford monthly mortgage payments), and the Loan-to-Value Ratio, (comparison of the loan to the value of the home). As a result, a more energy efficient home would be appraised at a higher value, and a borrower would possess a greater ability to afford an energy efficient home, saving money on utility bills and increasing the likelihood of making timely mortgage payments.

S. 1106 would also instruct lenders to inform loan applicants about the costs and benefits of energy efficiency, and to provide them with information about resources and financing options available for energy efficiency upgrades.

Full text of the bill is available at <http://www.gpo.gov/fdsys/pkg/BILLS-113s1106is/pdf/BILLS-113s1106is.pdf>