



# COLORADO

## Residential Buildings Program

Colorado Energy Office

<b>Colorado Energy Mortgage Incentive Program CEO-CEMI-103.1</b>	<b>Existing Home Reservation Guidelines</b>	<b>Approved: 1/12/15</b>
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**1.0 DISCUSSION:** The Colorado Energy Saving Mortgage Incentive provides a matching loan benefit to Colorado resident homebuyers/homeowners based on tiered rebate scale. The goal of this program is to incentivize energy efficiency improvements in homes by leveraging a finance transaction or mechanism, 1<sup>st</sup> mortgage, that typically will allow the homeowner to reduce their overall monthly housing cost through a reduction of monthly utility bills that is greater than the increase in mortgage or other funding costs. Loan details and amounts will be assessed by the lender directly to ensure that all lending guidelines are followed.

The maximum benefit issued will be no more than \$3,000.00 for a home that improves 4 points on the Home Energy Score scale with a tiered benefit of \$750.00 for each scoring bin the homeowner improves. For homebuyers or owners who utilize FHA's or VA's Energy Efficient Mortgage (EEM) option, the maximum benefit issued will be no more than \$6,000.00 for a home that improves 66 points or more on the HERS Index with a tiered benefit for homes that improve at least 10 points on the HERS Index Scale (calculated from a maximum HERS score of 170). For buyers using the HERS Index path the Colorado Energy Office (CEO) there is a non-state source match contribution which can be met through the cost of the HERS Index Rating. Non-FHA or VA EEM borrowers can also elect the HERS Index path.

It is the policy of the CEO to allocate incentive reservations on a first come first serve basis. When all funding is reserved any future reservations will be put on a waitlist. If a discrepancy occurs, CEO reserves the right to withhold incentive reservation until the discrepancy is resolved.

The program cannot be used with Fannie Mae or conventional products to complete post closing improvements.

## 2.0 INCENTIVE TIERS:

### Home Energy Score Incentive Tiers

A homeowner must have an initial Home Energy Score and select improvements with the Qualified Assessor. The Qualified Assessor will provide an estimated Home Energy Score based on selected improvements. Recommendations **must** prioritize energy efficiency improvements, specifically the following three when appropriate: air sealing, adding insulation to meet 2009 IECC levels and installing an ENERGY STAR certified heating system if less than 80% AFUE furnace before solar or other improvements are completed. A benefit of \$750 will be provided for each scoring bin moved up to \$3,000 for moving 4 bins.

### HERS Index Incentive Tiers

A homeowner must have an initial HERS Index Rating and select improvements with the HERS Rater. The HERS Rater will provide an estimated HERS Index Rating based on selected improvements. Recommendations **must** prioritize energy efficiency improvements, specifically the following three when appropriate: air sealing, adding insulation to meet 2009 IECC levels and

installing an ENERGY STAR certified heating system if less than 80% AFUE furnace before solar or other improvements are completed. The benefit tiers are as follows:

HERS Index Rating Improvement of 10 to 20 points**	: \$2,000 benefit (Non-State contribution \$500)
HERS Index Rating Improvement of 21-35 points**	: \$3,000 benefit (Non-State contribution \$500)
HERS Index Rating Improvement of 36-50 points**	: \$4,000 benefit (Non-State contribution \$500)
HERS Index Rating Improvement of 51-65 points**	: \$5,000 benefit (Non-State contribution \$1000)
HERS Index Rating Improvement of 66 or more**	: \$6,000 benefit (Non-State contribution \$1000)

\* If non-state match is greater than .50% of the mortgage balance, the CEO will cover the difference between the non-state match and .50% of the mortgage balance.

\*\*Based on a Maximum HERS Rating of 170. If a home initially rates at a 190, the improvements must get the home to 160 (a 30 point reduction, but only 10 points from the maximum of 170). A home that initially rates at a 110 must make improvements to at least rate 100 on the scale in order to receive the incentive.

The homebuyer or homeowner may complete a self-selected list of energy efficiency and/or renewable energy improvements (the help of their energy auditor is recommended), after the basic program requirements are met.

To participate in the existing home path, follow these five steps:

- Step 1: Call a local Home Energy Score Qualified Assessor or RESNET certified energy auditor
- Step 2: Determine what improvements will be made to the home and estimated score change from the measures
- Step 3: Contact a participating lender, verify eligibility and sign a participation agreement
- Step 4: Work with contractor to complete improvements
- Step 5: Submit verification and paperwork to the lender if required

**2.1 CALCULATING SOLAR PV WITH THE HOME ENERGY SCORE:** The Home Energy Score is a measure of energy efficiency and does not currently account for the effects of Solar PV. For homes that have met the basic air sealing, insulation, and furnace requirements and would like to add Solar, the following procedure should be used:

- Step 1: Calculate the Solar PV system output using PVWatts or other CEO approved method and convert the kWh produced to MMBTU using a rate of 1 kWh equals 0.0034095 MMBTU
- Step 2: Calculate the number of bins jumped where 11 MMBTU equals 1 bin jump.
- Step 3: Submit all paperwork to CEO to receive approval of PV Solar use with the Home Energy Score before at least two weeks before closing on the loan

**3.0 Reservation Procedures:** The mortgage originator must be in good standing with the Colorado Secretary of State and follow these steps to reserve an incentive for the homebuyer.

**3.1 Provide business W-9 of the mortgage originator**

- 3.2 Include Fees Worksheet or equivalent documenting incentive amount
- 3.3 Include Reservation Request Document
- 3.4 Send email to [ceo\\_grants@state.co.us](mailto:ceo_grants@state.co.us) with all required information

**4.0 Reservation Confirmation:** Within 1 business day of incentive reservation email, the CEO will confirm whether the incentive was accepted, put on a wait list, or contains missing or inaccurate information. If the incentive application includes missing or inaccurate information, the homebuyer will lose their place in the incentive queue. When a corrected and approved incentive reservation is completed, the reservation will use the time stamp of the correct submittal email time.