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## ***Program Bulletin***

**Date: February 6, 2001**

**Program Bulletin #2001-06**

**To: CHFA Approved Lenders**

### **ENERGY EFFICIENT MORTGAGE PROGRAM**

In response to the energy shortage currently being experienced throughout California, CHFA encourages the use of FHA's Energy Efficient Mortgage Program (EEM) to minimize energy usage and costs. The EEM helps homebuyers to save money on utility bills by enabling them to finance the cost of adding energy-efficiency features to their home as part of their FHA-insured home mortgage.

The EEM can be used to make energy-efficient improvements to both existing and new homes. The improvements can be included in a borrower's mortgage only if their total cost is less than the total dollar value of the energy that will be saved during the improvement's useful life as determined by a Home Energy Rating Systems (HERS) report. The cost of the improvements that may be eligible for financing as part of the mortgage is either 5% of the property's value (not to exceed \$8,000) or \$4,000, whichever is greater.

In an effort to encourage energy efficiency, CHFA will purchase FHA EEM loans prior to the disbursement of funds held at closing for energy-efficient improvements. However, Lenders must (1) clearly label the loan as an EEM on the approved MCAW, (2) provide CHFA with a copy of the HERS report prior to CHFA's loan approval, (3) provide a final HUD1 that clearly labels the funds as being held for energy improvements, and (4) meet all FHA requirements regarding processing, closing, and disbursing held funds.

**These changes are effective immediately for any FHA insured Energy Efficient Mortgage (EEM) reservation.**

Questions regarding this bulletin should be directed to "CHFA, Homeownership Programs," at 1121 L Street, 7<sup>th</sup> Floor, Sacramento, CA 95814; or by phone (916) 324-8088; or by fax (916) 324-6589. This bulletin will also be posted on CHFA's web page at the following address: [www.chfa.ca.gov](http://www.chfa.ca.gov)