Fannie Mae™

HomeStyle® Energy Mortgage

The HomeStyle® Energy mortgage loan is designed to support borrowers in their efforts to increase home energy efficiency and reduce utility costs. Borrowers can finance energy-efficient upgrades when purchasing or refinancing a home. HomeStyle Energy may be a more affordable financing solution than a subordinate lien, home equity line of credit, Property Assessed Clean Energy (PACE) loan, or unsecured loan. (Refer to Selling Guide section B5-3.4.01, which discusses Fannie Mae's restrictions on PACE loans.)

Simple Options

- Pay off higher-interest energy improvement debt, including PACE loans.
- Finance up to 15% of the "as-completed" appraised property value of a home.
- Finance up to $3,500 in weatherization or water-efficient improvements with no energy report.

Lender Eligibility	The HomeStyle Energy mortgage is open to all Fannie Mae–approved lenders; **no special lender approval required**.
Financing Energy Improvements	Up to 15% of "as completed" appraised property value. 100% of the funds must go toward the energy improvement costs (which may include the cost of the energy report, if paid for by the borrower).
Pay Off Existing Debt	Limited cash-out refinances may include the payoff of existing financing incurred for prior energy improvements made to the property (such as PACE liens, unsecured loans, or credit card debt).
LLPA Credit	A $500 LLPA credit will be applied when the loan is delivered to Fannie Mae with the applicable special feature code (SFC 375).
Basic Weatherization and Water Efficiency	Up to $3,500 may be included in the loan amount for purchase and limited cash-out refinance transactions with no energy report. (An energy report is required for higher loan amounts.)
Loan Purpose	Purchase or limited cash-out refinance (LCOR).
LTV, CLTV, and HCLTV Ratios	The standard LTV, CLTV, and HCLTV ratios apply per the *Eligibility Matrix* up to a maximum 95% LTV ratio.
Product Eligibility	• May be used in combination with all *Selling Guide* products and transactions, including high-balance and HomeReady®, *except* DU Refi Plus™ and Refi Plus™, which are not permitted. • Proceeds from Community Seconds®, down payment assistance programs, and grants can be applied toward energy improvements if permitted under the program parameters. • May also be used in combination with HomeStyle Renovation for more significant renovations (added benefit of the LLPA credit) by approved HomeStyle Renovation lenders.
Occupancy and Property Eligibility	• All one- to four-unit existing properties are eligible except manufactured homes. • All occupancy types are permitted.
Energy Assessment and Report	One of the following reports is required (except when using the $3,500 basic weatherization and water efficiency option): • Home Energy Rating Systems (HERS) report; • Department of Energy (DOE) Home Energy Score Report; or • A comparable rating report completed by an independent and certified home energy consultant or assessor if permitted under a local or state-level home energy certification or evaluation program.

Lender Responsibilities for Delivering Loans with Incomplete Energy Improvements	• Evaluate property, borrower, and transaction eligibility. • Evaluate the energy report to help the borrower identify cost-effective energy improvements. • Ensure the appraiser is provided with a copy of the energy report and obtain an appraisal based on the "as-completed" property value. • Administer the escrow account (including preparing an escrow agreement). • Monitor completion of the work and maintain appropriate documentation. • Ensure that the improvements are completed within 180 days of the date of the mortgage note. • Obtain a final title report or an endorsement that establishes Fannie Mae's lien priority if the final title report is issued prior to completion of the improvements. • Any funds remaining at the end of the escrow period must be used to reduce the loan balance.
Appraiser Responsibilities for Properties with Incomplete Energy Improvements	• Determine the "as-completed" property value subject to the energy improvements being completed. • Verify the improvements are completed, including photographing the completed improvements.
Lender Responsibilities for Delivering Loans with Completed Energy Improvements	• Obtain documentation to determine the amount of funds used for energy improvements that are eligible to be refinanced. • Obtain an Energy Report for refinancing of any non-PACE debt to determine that the improvements made were part of a cost-effective energy improvement upgrade. • Obtain an appraisal report that indicates that the improvements or upgrades were completed.

Underwriting Considerations	• Can be underwritten manually or with Desktop Underwriter® (DU®).
	• Because DU cannot determine if the loan casefile contains energy-related features, DU will not issue any specific messages related to HomeStyle Energy. Lenders must manually apply the requirements.
	• Lenders may disregard the "ineligible" recommendation from DU that may result if the borrower pays off unsecured loans or credit card debts (for prior energy improvements) that exceed the limited cash-out 2%/$2,000 maximum cash-back policy.
	• For manually underwritten loans:
	    o The debt-to-income (DTI) ratio may exceed 36%, up to 38%, if the U.S. Department of Energy (DOE) Home Energy Score (or comparable industry standard measure) is greater than 6.
	    o If the DTI ratio exceeds 38%, lenders may use the credit score and reserve requirements for a similar transaction with a DTI of up to 36%.

Lender Recourse	Loans may be delivered before completion of the work *without* lender recourse.
Special Feature Code	SFC 375 must be provided when delivering the loan.

Learn More

Additional resources are available to help lenders implement HomeStyle Energy. Refer to Fannie Mae's website for fact sheets, FAQs, and other resources.