



FHA PowerSaver

FHA HOME ENERGY IMPROVEMENT LOAN PILOT PROGRAM
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

APRIL 21, 2011

HOW THE PROGRAM WAS DEVELOPED

- ✘ Proposed rules, request for public comment and solicitation of lenders: November 9, 2010.
- ✘ Lenders were required to describe how they were working with well established state and local home energy performance programs.
- ✘ Final rules released: March 31, 2011.
- ✘ Lenders announced: April 21, 2011.

PARTICIPATING LENDERS

× Lender

- × Admirals Bank
- × AFC First Financial Corp.
- × Bank of CO
- × City of Boise
- × Energy Finance Solutions
- × Enterprise Cascadia
- × HomeStreet Bank
- × Neighbors Financial Corp
- × Paramount Equity

Target Markets

DOE Better Buildings locations
PA, ME
CO
Boise, ID
NY state
OR, WA
OR, WA ,HI
CA, MI, TX
AZ, CA, OR, UT, WA, CO, TN

PARTICIPATING LENDERS

✘ Lender

- ✘ Quicken Loans
- ✘ SOFCU Community Credit Union
- ✘ Stonegate Mortgage Corp.
- ✘ Sun West Mortgage Co.
- ✘ The Bank at Braodmoor
- ✘ University of Virginia Credit Union
- ✘ Viewtech Financial Services, Inc.
- ✘ WinTrust Mortgage
- ✘ WJ Bradley Mortgage Capital Co.

Target Markets

- DOE Better Buildings locations
Southern Oregon
- DOE Better Buildings locations
- DOE Better Buildings locations
- Pikes Peak region (CO)
- Central VA
- CA
- Chicago region
- DOE Better Buildings locations

TITLE I - POWERSAVER INSURANCE BASICS

Co-insurance Feature

- ✘ Federal insurance covers up to 90% of loan against default.
- ✘ Lender is accountable for the remaining 10% balance of each loan.

Portfolio Cap (Reserve Account)

- ✘ Maximum federal insurance coverage of 10% in aggregate of the total amount of a lender's Title I loan portfolio.

TITLE I – POWERSAVER PROGRAM BASICS

Use of Loan Proceeds

Proceeds generally must be spent on eligible energy improvements

- + No cash out
- + No partial insurance (i.e., \$20,000 of \$40,000 loan)
- + No debt consolidation
- + **Up to 25% of the loan may be used for unrelated measures**

PROGRAM BASICS CONT'D

Security Requirements

- + Lien required if loan over \$7,500.00
- + Mortgage or Deed of Trust
- + Lien position must be 1st or 2nd (with a few exceptions)

Written Description of Work

- + Must have a detailed description of the work to be done by the contractor including a breakdown of materials and labor
- + Lender must use judgment regarding the reasonableness of the description of the work

PROGRAM BASICS CONT'D

Eligible Properties

- ✘ Single family (principal) residences only. Can include detached, semi-detached and attached single family residences.
- ✘ Condominiums that meet the criteria for eligible single family properties are also eligible.

PROGRAM BASICS CONT'D

Loan Maturities

- ✘ Loan terms will generally be limited to 15 years to align them with the useful life of most energy improvements.
- ✘ Loan terms of 20 years can be used but only for certain improvements.

PROGRAM BASICS CONT'D

“Direct Loans” Only

- ✘ The borrower must make application directly to an approved lender.
- ✘ No retail sales installment contracts etc.
- ✘ **Contractors can market PowerSaver loans.**

PROGRAM BASICS CONT'D

Property Valuation

- ✘ Combined Loan to Value (CLTV) cannot exceed 100%.
- ✘ Lenders may use Fannie Mae or Freddie Mac Form 2055 Exterior-Only Inspection Report to establish property value.
- ✘ Other valuation methods – e.g. AVMs – as approved by HUD.

PROGRAM BASICS CONT'D

Conditions for Disbursement

- ✘ Loan proceeds shall be disbursed in two increments.
 - + Up to 50% of the proceeds disbursed at loan funding/closing.
 - + The remaining proceeds disbursed after completion of improvements (and inspection if over \$7,500.00).

PROGRAM BASICS CONT'D

Underwriting Requirements

- × 45% debt to income limit
- × Borrower must be solvent and an acceptable credit risk
- × 45% debt to income limit
- × Credit report (decision credit score of at least 660 for all borrowers)
- × Employment and income verification (2 year history)

RESOURCES

On the Title I Home Page

http://www.hud.gov/offices/hsg/sfh/title/ti_home.cfm

- ✘ Industry Fact Sheet
- ✘ FAQ for Lenders
- ✘ FAQ for Consumers
- ✘ Federal Register Notice containing all program details

HUD Forms

http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/forms