HomeStyle® Energy Mortgage

The HomeStyle® Energy mortgage loan is designed to support homeowners efforts to increase energy and water efficiency and reduce utility costs as well as create home resiliency for environmental disasters or to repair damage from such disasters. Borrowers can finance energy or water efficiency or resiliency 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

- Finance improvements up to 15% of the "as-completed" appraised property value of a home.
- Improvements which do not require an energy report include but are not limited to: ENERGY STAR®-certified products, renewable energy sources, and weatherization items up to $3,500
- Pay off energy-related improvement debt, including PACE loans.

Learn More

Additional resources are available to help lenders implement HomeStyle Energy. Visit our website for fact sheets, FAQs, and other resources.

Lender Eligibility	The HomeStyle Energy mortgage is open to all Fannie Mae–approved lenders; **no special lender approval required**.
Financing Energy-Related Improvements	Up to 15% of "as completed" appraised property value.
Pay Off Existing Debt	Limited cash-out refinances may include the payoff of existing financing (such as unsecured loans or credit card debt) incurred for prior energy-related improvements made to the property up to 15% of the "as completed" appraised property value. Purchase transactions or limited cash-out refinances may include the payoff of PACE liens on the property with no dollar amount limit (LTV ratios apply).
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). If any improvement is ENERGY STAR-certified, then loan must be delivered with SFC 375 and SFC 773 to receive the $500 LLPA credit.
Basic Weatherization	Up to $3,500 may be included in the loan amount for purchase and limited cash-out refinance transactions with no energy report.
Resiliency and Repairs	May be used for storm or environmental disaster repairs and resiliency/preventative improvements to either repair natural disaster damage or improve the home's ability to withstand hurricanes, tornados or wind storms, earthquakes, flooding, landslides, wildfires, and the like. No energy report is required.
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 97% LTV ratio for fixed-rate mortgages on one-unit, principal residence, purchase, and limited cash-out refinance transactions underwritten through Desktop Underwriter® (DU®).
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-related 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. • All occupancy types are permitted.

Energy Assessment and Report	When an energy report is required, one of the following must be used: • Department of Energy (DOE) Home Energy Score Report • Home Energy Rating Systems (HERS) 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-Related Improvements	• Evaluate property, borrower, and transaction eligibility. • Evaluate the energy report, when required, to help the borrower identify cost-effective energy improvements. • Ensure the appraiser is provided with a copy of the energy report (when required) 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-Related Improvements	• Determine the "as-completed" property value subject to the energy-related improvements being completed. • Verify the improvements are completed, including photographing the completed improvements.
Lender Responsibilities for Delivering Loans with Completed Energy-Related Improvements	• Obtain documentation to determine the amount of funds used for energy-related improvements that are eligible to be refinanced. • Obtain an appraisal report that indicates that the improvements or upgrades were completed.
Underwriting Considerations	• Can be underwritten manually or through 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: ○ Maximum debt-to-income (DTI) ratio of 45% (subject to satisfaction of criteria in the *Eligibility Matrix*) • If not eligible to 45%, DTI ratio may exceed 36%, up to 38%, if the DOE Home Energy Score (or comparable industry standard measure) is 6 or higher.
Lender Recourse	• Loans may be delivered *without* lender recourse for the incomplete improvements.
Special Feature Code	• SFC 375 must be provided when delivering the loan. • If any improvement is ENERGY STAR-certified, then loan must be delivered with SFC 375 and SFC 773. *Note: These loans may qualify for an LLPA waiver for Duty to Serve. See Duty to Serve eligibility requirements for details.*

This summary is intended for reference only. All criteria are subject to the formal terms and conditions of the Fannie Mae *Selling Guide* and *Servicing Guide*. In the event of any conflict with this document, the *Selling Guide* and/or *Servicing Guide* will govern.