

# Residential Energy Improvement Financing

EE NOW Summit  
Anchorage, AK  
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# Alaska Housing Finance Corporation

- Created in 1971
- Self-supporting public corporation
  - Contributed over \$1.9B to the state
  - Secondary market for mortgage loans
  - Funds state capital improvements
  - Bonds for projects such as student housing
- Provide Alaskans access to safe, quality, affordable Housing

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# Housing & Demographics

Understanding the potential need for energy improvements today...

- Anchorage
  - 15% of homes were constructed since 2000
  - 75% built between '60-'99
  - Average age is 35 years
- Fairbanks
  - 17% of homes were constructed since 2000.
  - 71% of homes were built between '60-'99
  - Average age, also 35 years
- Juneau
  - 8% of homes were constructed since 2000.
  - 80% of homes built between '60-'99
  - Average age 36 years
- Why renovate?
  - May increase home's value
  - Incorporate universal design features to "age-in-place"
  - Increase energy efficiency

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## How may AHFC assist?

- ✓ AHFC provides first mortgages for borrowers to purchase or refinance a home which may include a need for renovation or energy improvements.
- ✓ AHFC provides second mortgages to renovate existing homes.
- ✓ AHFC also offers interest rate reduction options to AHFC loan programs based on the homes energy efficiency.

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# Financing Options

- Alaska Energy Efficiency Revolving Loan Program (AEERLP)
  - Local governments, school districts, and the University
  - Energy efficiency improvements as identified in an ASHRAE level II audit
  - Unsecured
  - Energy savings used to pay back the loan
- Energy efficiency for public buildings
  - More cost effective operations
  - REAL manual highlights best practices

## AHFC Purchase Renovation

Maximum conventional loan amount is 95% of the purchase price plus 100% of renovation costs, not to exceed 95% of the as complete appraised value.

(VA – 100% of renovations & 100% of appraised value; FHA, 184 & RD – follow guarantor’s criteria)

An additional 10% may be added to the renovation costs for overruns, not to exceed maximum program loan-to-values

### Conventional Example:

Purchase price.....	\$225,000
Appraised value before repairs.....	\$225,000
Appraised value after repairs.....	\$260,000
Maximum loan cannot exceed.....	<b>\$247,000 (95% of as completed value)</b>
Total of repairs.....	\$ 27,500 (HVAC, insulation, windows)
Renovation loan amount.....	\$213,750 (95% of purchase price)
100% of repairs + 10% contingency.....	<u>\$ 30,250</u>
Final Total.....	<b>\$244,000</b>

## AHFC Refinance Renovation

Maximum conventional loan amount is 95% of the outstanding balance plus 100% of renovation costs, up to 30 days of unpaid interest on the existing loan & may be increased by new loan closing costs and first year MIP premium, if applicable not to exceed 95% of the as complete appraised value.

An additional 10% may be added to the renovation costs for overruns, not to exceed maximum program loan-to-values

- Borrowers may improve the terms on their existing loan and finance renovations or home improvements
- Improvements may be structural, major renovations, or minor items such as carpet, painting, fixtures, etc
- Current inspections for private well & wastewater are not required. Should renovations increase the number of bedrooms, a new DEC approval or engineer's report certifying compliance with regulations must be retained in the lender's file. BEES and ICC inspections required as applicable
- Cash back is prohibited except for reimbursement of allowable closing costs & renovation costs paid by borrower prior to closing
- Energy Efficiency Rate Reductions may apply with increased efficiency

## Non-Conforming II Loan Program

Financing for certain properties built after June 30, 1992 that may not have evidence of compliance with construction inspections and/or properties built after December 31, 1991 that may not have evidence of compliance with thermal standards.

The property must be existing and at least five years old at the time of application.

- **Otherwise same as refinance:**
  - Maximum loan amount includes renovations or home improvement costs, up to 30 days of unpaid interest on the existing loan & may be increased by new loan closing costs and first year MIP premium, if applicable
  - Improvements may be structural, major renovations, or minor items such as carpet, painting, fixtures, etc
  - Current inspections for private well & wastewater are not required. Should renovations increase the number of bedrooms, a new DEC approval or engineer's report certifying compliance with regulations must be retained in the lender's file
  - Cash back is prohibited except for reimbursement of allowable closing costs & renovation costs paid by borrower prior to closing
  - Energy Efficiency Rate Reductions may apply with increased efficiency

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## Second Mortgage Renovations

Secondary financing for renovations to existing dwellings

Maximum loan amount with new appraisal is \$312,750

Maximum loan amount with alternative valuation is \$100,000.

Maximum term is 15 years

- Maximum CLTV w/appraisal = 90% single family & duplex; 80% triplex and fourplex
- Maximum CLTV w/alternative valuation = 75%
- May not be used to pay off other liens, including assessments
- May be combined with Alaska Energy Rebate Program
  - Rebate will be applied against the loan balance
  - Rebate program allows for 18 months to complete energy upgrades, only 12 months under this program

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## Second Mortgage for Energy Conservation

Financing to make cost-effective energy improvements on owner-occupied properties.

All improvements must be completed within 365 days of closing.

- Maximum loan amount is \$30,000
- Maximum loan term is 15 years
- Borrowers select from the list of energy upgrades included with the energy audit of their home
- May be combined with Alaska Energy Rebate Program
  - Rebate will be applied against the loan balance
  - Rebate program allows for 18 months to complete energy upgrades, only 12 months under this program
- Apply at Alaska USA Federal Credit Union
  - 907-786-2800 or toll free at 888-425-9813

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## Rural Non-Owner Occupied Loan Program

Financing for properties located in small communities that are not occupied by the borrower.

No commercial use and limited to duplex, triplexes & fourplexes.

First \$250,000 financed has 1% lower interest rate

- Small Communities have 6,500 people or less when not connected by road or rail to Anchorage or Fairbanks or 1,600 people or less when connected by road or rail to Anchorage or Fairbanks. Also, must be 50 miles outside of Anchorage or 25 miles outside of Fairbanks. Connected by road does not include the Alaska Marine Highway.
- All units must have a minimum of 600 square feet
- Must be self-supporting with a break-even point of 85% or less and a minimum debt service coverage of 1.15.
- Energy Efficiency Rate Reductions may apply with increased efficiency

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## Rural Small Building Material Loan Program

Secondary financing for properties located in small communities

Maximum loan amount is \$100,000

Renovation must meet current building codes and all identified Health and Safety hazards must be included in the renovation

- For properties located in Small Communities
- If used non-owner-occupied properties, only duplexes and above are eligible
- May be combined with Alaska Energy Rebate Program
  - Rebate is not applied against the loan balance
- Apply at Alaska USA Federal Credit Union
  - 907-786-2800 or toll free at 888-425-9813

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## Energy Efficiency Interest Rate Reduction

- Option combines with other financing programs
- Offers interest rate reduction when financing energy efficient homes or when energy improvements are made to an existing home
- Rate reduction applies to the first \$200,000 borrowed
- Improvements to be completed within one year
- New Construction
- Existing Properties
- Existing Properties with proposed improvements

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## More EEIRR or How Much of a Reduction

- New Construction
  - Access to natural gas      5 star = .25%      6 star = .375%
  - No access to natural gas    5 star = .375%    6 star = .50%
- Existing Properties
  - Access to natural gas      5 star = .125%    6 star = .50%
  - No access to natural gas    5 star = .25%      6 star = .375%
- Existing Properties with proposed improvements
  - Access to natural gas      1 to 4 steps = .125% to .625%
  - No access to natural gas    1 to 4 steps = .25% to .75%
- Any residential property that can be energy rated and that is otherwise eligible for AHFC financing may qualify

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# Energy Efficiency Interest Rate Reduction Option and Alaska Energy Rebate Program

- Make sure UND-10 is completed by Lender to start EEIRR eligibility
- Sign up for the rebate program at [www.AHFC.US](http://www.AHFC.US)
- 18 months to complete improvements for rebate
  - Only 12 months if pursuing EEIRR
- Rebate program offers up to \$10,000 based on increased energy improvements to the home as measured by AKWarm
- As-Is rating and post improvement rating
- Result is lower interest rate on your home loan and a cash rebate for costs related to the energy improvements

# AHFC Mortgage Staff

We welcome your calls

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## Underwriting Staff Contact Information

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Toll Free: 888-854-3884

**List of Approved Lenders at  
[www.AHFC.us](http://www.AHFC.us)**

