ENERGY ADDENDUM

FILE NO.

This energy addendum is a two-part optional report designed to assist lenders in underwriting energy-efficient properties. Each part has a particular use, and the parts are to be treated as separate reports.

Part 1 of this addendum is for rating the energy efficiency of the subject property. It must be completed by an energy consultant or an appraiser. An energy-efficient rating of "high" is required to justify additional consideration in the credit underwriting process.

Part 2 of this addendum is for estimating the value of energy-efficient items only when adequate comparable market data are not available. It must be completed by an appraiser.

Borrower: _____

Property Address:

Part 1—Energy checklist

In this section, the energy consultant or appraiser should note the energy-efficient characteristics of the subject property and use these characteristics as a basis for rating the property's overall energy efficiency (high, adequate, or low). Generally, a dwelling should contain energy-efficient features for insulation, windows and doors, and heating and cooling to receive a "high" rating.

The comments sections should be used to describe the specific features and the quality and adequacy of the installation of the energy-efficient item(s) or technique(s). For example, if the energy-efficient furnace box is checked in the heating and cooling section below, those features that make the furnace "energy efficient" should be explained. In addition, the estimated monthly savings* from the energy-efficient items should be noted (*not required by Fannie Mae). The estimated monthly savings should be calculated as follows:

- for existing homes: the actual dollar difference between the current energy costs for an existing item and the estimated energy costs for the proposed energy-efficient item or the actual dollar difference between the current energy costs for an existing energy-efficient item and the estimated energy costs for whatever is prevalent for that item in the subject neighborhood ("neighborhood norm").
- for new homes: the actual dollar difference between the energy costs of the builder's base item and the estimated energy costs of the proposed energy-efficient item (if no base exists with which to compare, the base would be the neighborhood norm).

A. Insulation (check if present, state "R" value if known)

- ☐ Attic/roof: R- _____
- ☐ Ceiling: R- _____
- ☐ Exterior walls: R- _____
- ☐ Floors: R- _____
- ☐ Slab/perimeter: R- _____
- ☐ Foundation walls: R- _____
- ☐ Insulated water heater ☐ Insulation wrap: R- _____
- ☐ Insulated heat/cooling ducts or pipes: R- _____

Comments (describe quality and adequacy): _____

*Estimated monthly savings $

B. Windows and doors

- ☐ Double (storm)/triple glazed windows
- ☐ Storm doors: On _____ of _____ doors
- ☐ Insulated doors
- ☐ Weatherstripping
- ☐ Caulking
- ☐ Other: _____

Comments (describe quality and adequacy): _____

*Estimated monthly savings $

C. Heating and cooling

1. Conventional equipment

- ☐ Automatic setback thermostat
- ☐ Automatic flue damper
- ☐ Energy-efficient furnace
- ☐ Energy-efficient air conditioner
- ☐ Energy-efficient heat pump
- ☐ Energy-efficient hot water heater
- ☐ Special fireplace devices/features (describe in comments)
- ☐ Wood burning stove
- ☐ Outside combustion air for fireplace or woodstove
- ☐ Other: _____

Efficient heating and cooling systems include such things as a high efficiency oil or gas furnace with an Annual Fuel Utilization Efficiency (AFUE) rating of 80% or higher, a high efficiency heat pump with a Seasonal Energy Efficiency Ratio (SEER) measure of 9.0 or greater and a Heating Seasonal Performance Factor (HSPF) of 7.0 or greater, and a central air conditioner with a SEER rating of 9.0 or greater.

Energy-efficient modifications to an existing system include such things as a flame retention oil burner, vent dampers for oil and gas furnaces, pilotless ignition for gas furnaces, and a secondary condensing heat exchanger for gas and oil furnaces.

Comments (describe quality and adequacy): _____

*Estimated monthly savings $

2. Solar equipment or design

- ☐ Passive solar design/landscaping—exterior (describe features below)
- ☐ Passive solar design—interior (describe features below)
- ☐ Solar space heating/cooling
- ☐ Back-up heating/cooling system
- ☐ Solar electric panels
- ☐ Solar hot water heating
- ☐ Earth-sheltered housing design
- ☐ Other: _____

Comments (describe quality and adequacy): _____

*Estimated monthly savings $

Energy rating

Has an energy audit/rating been performed on the subject property?
☐ Yes (attach, if available) ☐ No ☐ Unknown

Energy efficiency appears:
☐ High ☐ Adequate ☐ Low

Comments: (including sources of above data and specifications) _____

*Total estimated monthly savings of energy-efficient features $ _____

SIGNATURE _____ COMPANY NAME _____

NAME _____ DATE _____

Part 2—Estimate of value of energy-efficient items

This section can be used to help estimate the value of energy-efficient items only when adequate comparable market data are not available.

In such cases, the value of the energy-efficient items should be the lesser of

(a) the present worth of the estimated savings in utility costs, as determined by capitalizing the savings at an interest rate that is not less than the current interest rate for home mortgages for a period that does not exceed the lesser of the item's expected physical life or seven years, or

(b) the installed cost of the energy-efficient item or construction technique, less any physical, functional, and external depreciation.

For example, if the subject property is an existing house with inadequate insulation and infiltration barriers—such as one without storm windows, caulking, and weatherstripping—and the estimated savings per month is $35 for upgrading the property (based on an energy audit/rating), the appraiser could use the following calculations as a guide.

Installed cost (less depreciation)	$2,500	
Expected life	7 + years	
Expected monthly savings	$35 per month	**$420 x 4.789 = $2,011.38**
Expected annual savings	$420 per year	
Present value factor (annual compound interest at 10.5% for 7 years)	4.789	

For this example, it would appear reasonable **(only if adequate comparable data were not available)** that a typical purchaser might pay a premium of $2,000 for the property as improved with the suggested energy-related items.

Value calculations (Use additional forms if more than three items)

1. Description of item or construction technique _____

Estimated monthly savings $ _____ Expected life: _____ years

Source(s) of savings estimate: _____

Use this space to show all calculations

a. Present worth of estimated savings . . . . . $ _____

b. Installed cost of item or technique (less any depreciation) . . . . . $ _____

Estimated value of item (the lesser of a or b) . . . . . $ _____ (1)

2. Description of item or construction technique _____

Estimated monthly savings $ _____ Expected life: _____ years

Source(s) of savings estimate: _____

Use this space to show all calculations

a. Present worth of estimated savings . . . . . $ _____

b. Installed cost of item or technique (less any depreciation) . . . . . $ _____

Estimated value of item (the lesser of a or b) . . . . . $ _____ (2)

3. Description of item or construction technique _____

Estimated monthly savings $ _____ Expected life: _____ years

Source(s) of savings estimate: _____

Use this space to show all calculations

a. Present worth of estimated savings . . . . . $ _____

b. Installed cost of item or technique (less any depreciation) . . . . . $ _____

Estimated value of item (the lesser of a or b) . . . . . $ _____ (3)

Estimated total value of item(s) or technique(s) (the sum of (1), (2), and (3) above) . . . . . $ _____

I have used acceptable valuation methodology in this analysis to estimate the present worth of the items and techniques contributing to the energy efficiency of the property. The results are subject to variance based on the effective use and maintenance of the items and the lifestyle of the occupants of the property.

Appraiser SIGNATURE _____ COMPANY NAME _____

NAME _____ DATE _____