



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

June 10, 2009

MORTGAGEE LETTER 2009-18

TO: ALL APPROVED MORTGAGEES

SUBJECT: Energy Efficient Mortgages – Increase in the Dollar Amount of Energy Efficient Improvements

Section 2123 of the Housing Economic Recovery Act of 2008 (HERA) (Public Law 110-289, approved July 30, 2008) amended Section 106 of the Energy Policy Act of 1992 concerning the maximum additional amount that can be added to an FHA insured mortgage for energy efficient improvements. These mortgages with additional amounts for energy efficient improvements are known as Energy Efficient Mortgages (EEMs). This Mortgagee Letter provides guidance to approved mortgagees on the new statutorily authorized maximum mortgage amounts for FHA insured EEMs.

In addition to the base FHA maximum mortgage amount limit, which is calculated on the value of the home, the mortgage loan amount for an EEM can be increased by the cost of effective energy improvements. The maximum amount of the cost of the energy efficient improvements is set out below.

The maximum amount of the portion of the EEM for energy improvements is the lesser of 5% of:

- the value of the property, or
- 115% of the median area price of a single family dwelling, or
- 150% of the conforming Freddie Mac limit.

FHA has issued several Mortgagee Letters (MLs) that address eligibility requirements that must be met when originating EEMs. Specifically, FHA directs mortgagees' attention to the most recent ML, 2005-21, for guidance on originating EEMs. 2005-21 includes underwriting instructions and information regarding Home Energy Rating Systems (HERS) that are used to determine the cost of the energy improvements and estimated energy savings. Mortgagees are reminded that the cost of effective energy improvements may be added to the base FHA maximum mortgage amount if the cost is less than the Present Value of the energy saved.

If you have any questions regarding this mortgagee letter, please call FHA's Resource Center at 1-800-CALL-FHA (1-800-225-5342). Persons with hearing or speech impairments may access this number via TDD/TTY by calling 1-877-TDD-2HUD (1-877-833-2483).

Sincerely,

Brian D. Montgomery
Assistant Secretary for Housing-
Federal Housing Commissioner