

VIA EMAIL

Aug. 1, 2017

Sen. Lisa Murkowski  
522 Hart Senate Office Building  
Washington, DC 20510

Sen. Maria Cantwell  
511 Hart Senate Office Building  
Washington, DC 20510

Dear Senators Murkowski and Cantwell:

We write to express concern about Title I, Subtitle E of S. 1460, the Energy and Natural Resources Act of 2017. The provision rightly seeks to promote energy efficiency measures in housing within the Federal Housing Administration (FHA) program. However, using projected energy savings as a justification for allowing an increase in a homeowner's approved monthly payment places homeowners at risk of taking on excessive debt. Because of the challenges in predicting future energy savings for individual homeowners, we recommend that the provision focus on ensuring an accurate appraisal process. The bill should be amended to remove any application of expected energy cost savings to an analysis of the borrower's income for determining affordability.

In practice, even properly evaluated energy savings are often so small so as not to justify the risk associated with a homeowner taking on a larger mortgage. The bill creates a concept of baseline energy usage and savings measured against that baseline. Baseline energy usage is currently around \$2500 per year depending on factors including region. A homeowner who could get 20% below baseline, which would be quite significant, would only be saving \$500 per year below the baseline, or about \$40 per month. This purported savings would easily be offset by increases in property taxes, unexpected medical bills or any number of small household expenses.

Moreover, estimated energy savings are not sufficiently reliable to warrant offsetting a borrower's monthly payment. In fact, most post-hoc evaluations of utility energy efficiency programs show that actual savings are almost always less than what was predicted through the initial estimates. For example, in the case of Property Assessed Clean Energy loans we have seen highly inflated energy savings projections that have resulted in unaffordable loans.

Energy efficiency measures benefit the environment and also can help reduce a homeowner's monthly bills. Yet, for a low-income borrower, a payment increase of even tens of dollars, and certainly hundreds, could make all the difference in whether the loan is affordable. Lower

energy costs may result in higher energy usage in some households, leading to little to no savings.

Finally, should the bill be approved it must include a directive to the developers of the measurement methodology to ensure that this program does not lead to fraudulent increases in appraisal value. Enhanced appraisal values allow mortgage brokers and originators to make larger loans and thus collect larger fees. At the same time, an inflated appraisal disadvantages the borrower by allowing for loan amounts that may exceed a healthy loan to value ratio or that may exceed the true value of the property. Such practices also would undermine the FHA insurance fund by overvaluing properties and underestimating risk.

We look forward to working with you to strengthen this bill.

Sincerely,

Center for Responsible Lending

National Consumer Law Center (on behalf of its low-income clients)

Public Citizen