



Good News for Owners of Energy Star and LEED Homes: Efficient Homes Less Likely to Default

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The Kantor Residence, LEED Platinum. Photo by Nate Kantor.

Yesterday a [“Home Energy Efficiency and Mortgage Risks”](#) report released by the [University of North Carolina at Chapel Hill Center for Community Capital](#) and the [Institute for Market Transformation \(IMT\)](#) provided investors a solid data-driven insight – **those who build and own efficient homes are good credit risks.**

The study of over 70,000 owner-occupied single family home loans in 38 states found the mortgage default risk to be a whopping one-third lower for energy-efficient, ENERGY STAR-rated homes. The large sample size covered loans originated from 2002-2012 at a median price range of \$220,000 (see fact sheet [here](#)).

“It stands to reason that energy-efficient homes should have a lower default rate, because the owners of these homes save money on their utility bills, and they can put that money toward their mortgage payments,” said Cliff Majersik, executive director of IMT. “We long believed this to be the case, and now this study proves it.”

This is good news for lenders, and welcome news for owners of ENERGY-STAR rated homes. It’s even better news for the owners and lenders of LEED certified homes and other regional home rating systems such as EarthCraft or GreenPoint. These homes both verify energy performance and go beyond energy to save homeowners on other utility bills such as water. As the report notes, “These rating systems generally exceed the building performance of ENERGY STAR, and promote a comprehensive green building technologies and materials.”

The capital providers and the appraisal world can further build upon this work to more appropriately value resource efficiency in the financial markets. USGBC has long been an advocate for doing just that. In 2010 and 2012 USGBC released a [report](#) in collaboration with over a dozen private sector partners encouraging efficient attributes to be accounted for in lending done by Government Sponsored Enterprises (GSEs). [Fannie Mae's Green Refinance Plus](#) program for multifamily buildings is a welcomed start, and this should stimulate more programs for individual borrowers. USGBC continues to work in concert with all stakeholders to help move this process forward by increasing market efficiency through transparency and best practices.



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Michael Snyder
Associate, Booz Allen Hamilton

1 year 44 weeks ago

Although this study cites the money saved through energy-efficiency improvements, could this also be reflective of an unfortunate education gap within the population? As noted in many other articles, people have been reluctant to take on additional debt to refit homes, especially in harder economic times. I believe another take-away from this study could be a plan to expand awareness and marketing of the benefits of energy efficient appliances to the sections of the population that fell into default on their mortgages.

As the report said "Buyers of energyefficient homes may be more financially

astute than other borrowers. The authors identify this as a question for future research. However, if the purchase of an efficient home does signal a more savvy borrower, this is an important factor for lenders to consider, as these borrowers present a lower risk." - How do we address expanding the program and the level of knowledge to create more "savvy" purchasers?

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