

Countrywide's National Builder Division



Your Strategic Resource for Increasing Profitability

Energy Efficient Mortgages

by

Jon W. Reed

1st Vice President

**Divisional Builder Manager
National Builder Division**



Countrywide®

HOME LOANS

National Builder Division

**EEBA Conference
March 3, 2004**

COUNTRYWIDE FINANCIAL CORPORATION

- Countrywide Financial Corporation provides diversified financial services through its family of companies serving consumers and institutions, with mortgage origination and servicing at its core.

- » **Total Assets \$58 billion***
- » **Total Revenue \$4.52 billion***
- » **500+ offices nationwide**
- » **More than 30,000 employees**
- » **Member of the S&P 500**
- » **Forbes 500 (#110) and Fortune 500 (#209)**
- » **New York Stock Exchange symbol: CFC**

* As of December 31, 2002



- » **Countrywide's National Builder Division is dedicated to helping home builders maximize profits and achieve higher inventory turns by delivering a world-class local sales network, operational excellence and a full spectrum of home loan products and services.**

- » **We offer:**
 - Competitive rates
 - Rate protection programs (subject to time limits)
 - Direct access to decision maker
 - Upfront Approvals (subject to satisfactory title and appraisal review and no change in financial condition)
 - Fast access to credit reports and appraisals
 - Highly qualified project approval services

- » **We're part of Countrywide, a company dedicated to helping people become first-time home buyers by offering affordable home loans.**

NATIONAL BUILDER DIVISION: A BUILDER'S STRATEGIC RESOURCE TO INCREASE PROFITS

- » **Leading world-class local sales network and mortgage lending professionals with extensive experience and expertise in working with builders**
- » **Countrywide's specialized team of Regional Builder Managers (RBMs) and Division Builder Managers (DBMs) offer expertise in new home financing**
 - Dedicated teams know your market to meet the demands of your operation.
- » **Countrywide maintains a dedicated support staff to work with the Builder Manager's corporate staff to specialize in and focus on Builder-related financial services**
- » **Builder Project Approval Department provides expert assistance in obtaining Fannie Mae, Freddie Mac, VA/FHA approvals**

AMONG THE MANY BENEFICIAL LOAN PRODUCTS AND SERVICES COUNTRYWIDE OFFERS ARE ENERGY EFFICIENT MORTGAGES

» Why Energy Efficient Mortgages?

- **Home Buyers** can qualify for a larger loan amount because a monthly energy efficient savings amount counts towards a borrower's income during the loan underwriting process.
- **Builders** can move inventory faster even on larger or more amenity-filled homes because the current cumulative energy savings are added to the appraised value of the home, allowing buyers to purchase "more house." Yet, since builders generally receive rebates on energy efficient material, their costs to build are not increased.
- **Lenders** can offer a loan program that meets the needs of borrowers who have affordability issues. Since, the EEM product can be sold in the secondary market (Fannie Mae), the lender does not incur as much risk as some other affordable products that are traditionally not sold in the secondary market and are kept in the lender's portfolio.

ENERGY EFFICIENT MORTGAGE... PROGRAM DESCRIPTION

This is a program that can help a home buyer qualify for a larger loan while helping the environment. The monthly energy efficiency savings counts towards the borrower's income in the qualification process.

- Eligible Properties:

- One-unit SFR, Condo and PUDs with qualifying Energy Rating.
- Owner-occupied primary residence.
- Max. LTV 100%, with Max. CLTV 105.
- Program can be used with fixed-rate loans.

- Qualifying Borrowers:

- No first-time home buyer education requirement, unlike many "affordable" lending and first-time buyer programs.
- No restrictions on borrower's maximum income to be eligible.
- Home buyer assistance programs that help out with down payment and closing costs can be used in conjunction with the EEM program.

EEM PROGRAM... HOW IT WORKS IN FOUR EASY STEPS

- » 1. Builder constructs home that can be rated with an energy rating score greater than 80 or meet ENERGY STAR standards.
- » 2. Certified Energy Rater rates home, then provides a report with estimated monthly “energy savings” and the “energy value” of the energy efficient measures used by the builder.
- » 3. Builder gives energy report to home buyer, who in turn provides the report to the lender.
- » 4. Lender uses energy savings as a credit toward borrower income during loan underwriting. In addition, energy value is added to the appraised value of the home.

WHY SHOULD BUILDERS CONSIDER EEM PROGRAMS AND ENERGY EFFICIENCY RATINGS WHEN CONSTRUCTING HOMES?

Builder Benefits

- » **Sell larger, more amenity-filled homes because home buyer affordability issues are removed. Home buyer can also afford extras like landscaping.**
- » **No or very little impact on cost to build due to rebates on energy efficient materials**
- » **According to the National Association of Home Builders:**
 - 18% of home buyers would pay more for an environmentally friendly home.*
 - 35% want environmentally friendly home but not willing to pay more*
- » **Given these consumer preference levels, building Energy Efficient homes can:**
 - Increase customer satisfaction, and earn the builder recognition as a leader, resulting in ...

MARKETING ADVANTAGE and COMPETITIVE ADVANTAGE!

* SOURCE: Consumer Survey on Smart Choices for Home Buyers, NAHB 2002

WHAT SHOULD BUILDERS KNOW ABOUT ENERGY EFFICIENT STANDARDS?

» ENERGY STAR

- The federal government-backed program helping businesses and individuals protect the environment through superior energy efficiency sets building standards recognized by the lending industry and other government agencies. Some states also have enacted energy codes.

» Most homes you build will already meet the required energy rating score, ENERGY STAR and/or state standards:

- Qualified homes are must be at least 30% more energy efficient than homes built to the 1993 national Model Energy Code or 15% more efficient than state energy code, whichever is more rigorous.

» Standards are achieved primarily through:

- Effective insulation, tight construction and high performance windows
- Efficient heating and air conditioning systems, and water-heating equipment.
- Tight/insulated duct systems.
- Energy-efficient lighting and appliances, and features designed to improve indoor air quality.

ENERGY EFFICIENCY ADAPTATION BY BUILDERS

» According to ENERGY STAR ...

- There are currently 2,000 builders actively participating--building and/or remodeling homes--to meet ENERGY STAR standards. This number includes 50% of the nation's Top 100 Home Builders.
- Estimated ENERGY STAR Homes built to date: 160,000, with 90,000 more projected for completion in 2003.
- In major markets, including California and metropolitan areas such as Phoenix, Las Vegas, Houston, Dallas and others, 10 to 50% of homes are being built to meet energy efficient standards.

» Your competitors are increasingly offering energy efficient homes. You should, too!

THINGS TO CONSIDER AS AN ENERGY RATER

- » A home must be rated by a Certified Energy Rater.
- » A joint accreditation standard for Home Energy Rating Systems (HERS) has been developed by the National Association of State Energy Officials (NASEO) and the Residential Energy Services Network (RESNET).
- » A HERS rating is an evaluation of the energy efficiency of a home, compared to a computer-simulated reference house (of the identical size and shape as the rated home) that meets minimum requirements of the Model Energy Code (MEC). An ENERGY STAR qualified new home, which is required to be at least 30% more energy-efficient than the reference home, must attain a HERS score of at least 86.

WHAT DOES AN EEM PROGRAM MEAN TO A BORROWER? ... AFFORDABILITY!

STANDARD HOME BUILT TO CODE

Sales Price: \$200,000
Appraised Value: \$200,000

100 LTV - Loan Amount: \$200,000

97 LTV - Loan Amount: \$194,000

3% Borrower Contribution: \$ 6,000

higher value 3% contribution ->

PITI \$ 1,673

Monthly Utility Costs: \$ 186

TOTAL \$ 1,859

ENERGY EFFICIENT HOME

Sales Price: \$203,000
Appraised Value: \$203,000
EEM Present Value: \$ 11,578
New Appraised Value: \$214,578

100 LTV - Loan Amount: \$203,000

106 LTV - Loan Amount: \$214,578

3% Borrower Contribution: \$ 6,090

Additional Cash Needed: \$ 90

PITI: \$1,698

Monthly Utility Costs: \$ 93

TOTAL: \$1,791

Save \$68 a mo.

Qualifying Income: \$ 49,000

Qualifying Income: \$49,700

Utility Savings - \$93 x 12 = \$1,116

to reduce Qualifying Income

New Qualifying Income: \$48,584

HOW DOES COUNTRYWIDE WORK WITH BUILDERS WHO WANT TO PROMOTE ENERGY EFFICIENT HOMES?

- » **Our Sales Staff is versed in the Energy Efficient Mortgage Program ...**
 - At the executive level, through dedicated teams of Regional Builder Managers (RBMs) and Division Builder Managers (DBMs)
 - At the local level, through our Home Loan Consultants, many of whom are Certified Builder Representatives, who can help home buyers and builders understand the EEM Program.
- » **Countrywide has marketing materials, including attractive flyers, that builders can use to generate interest in the benefits the EEM Program offers borrowers.**
- » **Our Product Development support staff is continuously looking for ways to include the EEM Program as an element in various fixed-rate, affordable loans, many of which feature zero- to very low down payments.**

TAPPING THE POWER OF COUNTRYWIDE'S ENERGY EFFICIENCY MORTGAGES

- » We have nearly 6,000 Home Loan Consultants and more than 500 retail branch offices across the nation, all of whom can discuss the EEM Program with builders and home buyers.
- » Our Regional Builder Managers are the builder's contact for tapping the power of EEMs. The nearest Regional Builder Manager can be located by dialing 800-262-4214. Or, you can find your local representative at Countrywide's Builder Advantage Web site, www.builders.countrywide.com
- » Even if a home buyer decides to work with a mortgage broker, Countrywide can help.
 - The Wholesale Lending Division, working with more than 25,000 loan brokers, can offer the EEM Program to a broker's home buying customers.

OTHER RESOURCES TO LEARN MORE ABOUT ENERGY EFFICIENT HOMES AND ENERGY EFFICIENT MORTGAGE PROGRAMS

- » **www.energystar.gov**, Web site of the ENERGY STAR program, backed by the EPA and the Department of Energy
- » **www.nahb.org**, Web site of the National Association of Home Builders, offering publications and other resources about energy-efficient and “green” building.
- » **www.natresnet.org**, Web site of the Residential Energy Services Network, the organization that issues HERS Certification to rates. The site also includes more general information about energy efficient homes.
- » **www.fanniemae.com**, the business-focused Web site of Fannie Mae, which features information about its EEM programs in the Affordable Housing Center section of the site.

**COUNTRYWIDE'S NATIONAL BUILDER DIVISION DELIVERS
INDUSTRY EXPERTISE AND COMPLETE HOME FINANCING
SOLUTIONS TO HELP YOU INCREASE PROFITABILITY**

