

# Energy Efficient Mortgage Business Models that Work



Joel Wiese  
Indigo Financial Group  
[www.EnergyStarLoans.com](http://www.EnergyStarLoans.com)

Where we're going to go today...



## About our company



- Based in Michigan
- Network of 47 independently owned offices
- Serve 37 states in the US
- EcoBroker Affiliate
- Energy Star Lender

## How I got into doing EEMs



## Finding & developing the niche

### Product discovery

- Accidents in learning CAN happen.
- I learned about EEMs for a full 5 seconds in a one day seminar on FHA mortgages.



## Finding & developing the niche

### A very brief 27 year summary of EEMs...



## Finding & developing the niche

The simple premise of EEMs

- A more affordable home means you can afford more home.



## Finding & developing the niche

Digging in: The Green Mortgage

- Energy Improvement Mortgage (EIM)
  - Helps renovate existing homes
- Energy Efficient Mortgage (EEM)
  - Encourages efficient new construction

## Finding & developing the niche

The normal EEM process:

- Consumer qualifies for a mortgage
- Home or plans go through HERS audit
- Consumer chooses improvements (EIM) or understands performance of home (EEM)
- The mortgage closes
  - (HERS rater and everyone else gets paid)



## Finding & developing the niche

Renovation EEM:



- Provides money for EE upgrades
- Based on 15% of appraised value
- Uses energy savings as income
- Works on purchase or refinance
- Cost of improvements added to appraised value of home

## Finding & developing the niche

### New Construction EEM:

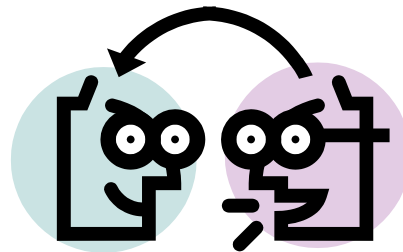
- Helps consumer build a better home
- Uses energy savings as income
- Rewards consumer with up to a 5% instant equity credit



## Finding & developing the niche

### Endeavors in marketing

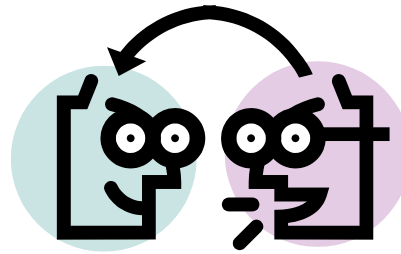
- We needed to get the word out. Fast.
  - Something relatively inexpensive
  - Simple to execute
- Yard signs/roadside signs



## Finding & developing the niche

Endeavors in (legitimate) marketing

- Networking
  - Inexpensive
  - Simple
- LAHBA (Lansing Area Hispanic Business Association)
  - Mixed results
  - Recruited our guinea pig EEM client, the Lopez family.



## Case Study - The Lopez Family

The first Energy Efficient Mortgage in Michigan

- Client Profile
  - Were they energy conscious?
  - Activists?
  - Recyclers?
  - Bike Riders?
  - Environmentalists?
  - All of the above?



## Case Study - The Lopez Family

The first Energy Efficient Mortgage in Michigan

### ■ Client Profile

- Husband works at a distribution center
- Wife was in the process of passing bar exam
- At the time of application (August '04) they had two months before they wanted to close.



## Case Study - The Lopez Family

The first Energy Efficient Mortgage in Michigan



### ■ Challenges

- Finding a lender to do the loan
- Training the lender how to underwrite the program
- From our experience, This process usually takes 2-3 weeks. We used the full two months allocated.



## Case Study - The Lopez Family

The first Energy Efficient Mortgage in Michigan



### ■ Other Challenges

- Buyer and listing agents were both getting irritated with the long time frame
- The realtors began advising my clients to do other mortgage programs
- I almost lost my clients in the process

## Case Study - The Lopez Family

The first Energy Efficient Mortgage in Michigan

### ■ The results?

- Happy clients
- \$740 in utility savings first year, \$1043 in present
- They now observe energy star labels and buy compact fluorescent light bulbs



## Finding & developing the niche

So when you have good news, publicize it



### ■ Press releases

- The Lopez success story got picked up by 8-9 different media outlets
- Full, front page coverage in real estate section of Detroit Free Press

## Finding & developing the niche

Learning curves with realtors

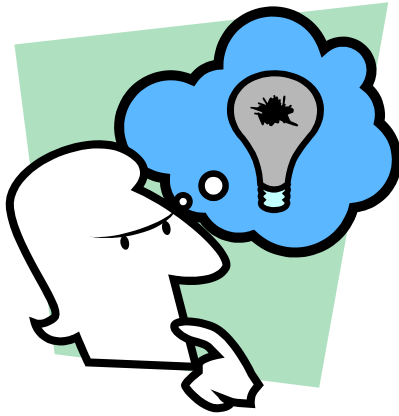


### ■ In pursuit of realtors

- We started offering educational seminars on EEMs
- Focused on promoting mortgage product
- Brought Fannie Mae in to participate in realtor trainings

## Finding & developing the niche

Learning curves with realtors



### ■ I learned...

- Initial success of EEM implementation with realtors is tremendously important
- Learning mistakes are really costly

## Finding & developing the niche

Learning curves with realtors



### ■ I also learned...

- That realtors won't do anything that they believe will delay the closing on a home
- That the vast majority of realtors have simply never been taught to talk about the energy use of a home.

## Finding & developing the niche

Energy training solutions for realtors

- We needed a lot of help here...
- EcoBroker™
  - an education and market performance program for realtors and affiliates who care about the environment



## Finding & developing the niche

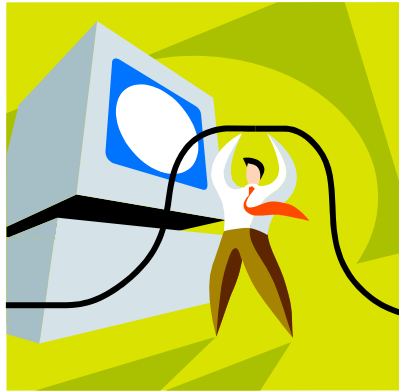
Seeds of success with realtors

- 1 year ago...
  - We couldn't get the attention of our realtor training group
- Now
  - Owner of company is interested after building an Energy Star home



## Finding & developing the niche

Web presence & connecting with clients



### ■ Website

- Provide good energy education & info
- Multiple means of contact
  - Email
  - Phone
  - Web submission forms
- Do business without referrals
- Feel free to link to us

## Finding & developing the niche

Connecting with clients at trade shows

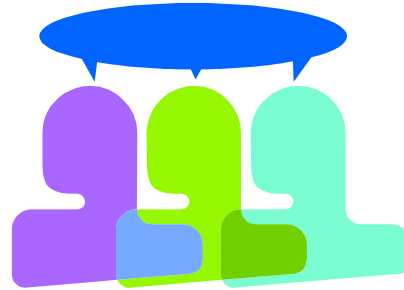


- Our initial approach
  - Promoted mortgages
  - Met with very little success
- Our new approach
  - Promoting energy efficiency
  - Met with much higher success

## Finding & developing the niche

Connecting with clients via energy seminars

- If there is one constant
  - People want to be comfortable in their home
  - People want to save money
- This will help you connect with clients



## The multi-pronged effect

- As energy raters, understand the EEM program and where you fit in
- Network
- Connect with consumers
- Connect with realtors
- Promote via the web
- Promote comfort and savings

## Payin' the bills

Successful rater business models



- Energy Consulting
  - For clients building homes.
- Get in front of consumers
  - Energy seminars
  - Give consumers tools
  - Give them education

## Payin' the bills

The better way for HERS raters to make a living

- New construction
  - \$400 to \$500 for HERS report paid in full at loan closing
  - If you are doing a sampling rate of one in seven, we'll increase income by a factor of six, as all new construction EEMs require ratings



## Payin' the bills

The better way for HERS raters to make a living



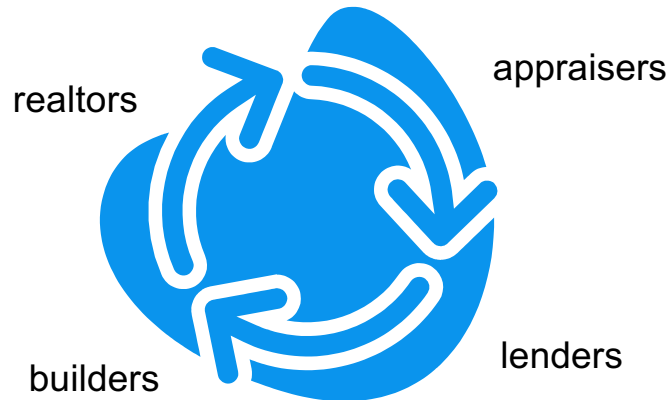
- For existing home renovation EEM
  - \$400 for HERS report
  - \$100 for additional site work
  - \$100 for writing detailed specification work
  - \$100 for assistance in finding good local contractors
  - \$100 for quality control work
  - \$40/hour on additional consultant work

## Why aren't EEMs commonplace?





## Solving Problems Together...



## Questions & Contact Info

Joel Wiese  
Indigo Financial Group  
2220 E. Michigan Ave.  
Lansing, MI 48912  
Joel@EnergyStarLoans.com  
www.EnergyStarLoans.com  
Toll Free: 877-867-7095

