



D2. Green and Location-Efficient Mortgages

Green mortgages, also called energy-efficient mortgages, allow the homebuyer to roll the costs of making specific energy-saving improvements into the purchase price of a home. Location-Efficient Mortgages® (LEMs) increase the borrowing ability of homebuyers in areas that are more walkable and provide good multimodal access, on the assumption that households in these areas will have more income available that can be directed toward housing.

Key Issues:

- The city has limited ability to affect the mortgage market.
- Both mortgages allow borrowers to borrow more money than standard underwriting would otherwise allow.
- Both mortgages present the homebuyer with a more diverse range of options in the housing market by allowing households with lower energy and transportation costs to qualify for a larger home loan amount.

Background:

National: In June of 2013, Senator Michael Bennet introduced a bill, the [Sensible Accounting to Value Energy Act \(SAVE\)](#), which would allow buyers of energy-efficient homes to qualify for larger mortgages.

The Green Resources for Neighborhoods Act of 2010, also referred to as the Green Act of 2010, directs the Secretary of Housing and Urban Development (HUD) to establish annual energy efficiency participation incentives to encourage participants in HUD programs to achieve substantial improvements in energy efficiency. Specifically, section 7 amends the Energy Policy Act of 1992 to require the Secretary to “establish a commission to develop and recommend model mortgage products and underwriting guidelines that provide market-based incentives to incorporate energy efficiency upgrades and location efficiencies in new mortgage loan transactions.”

Beginning in 1995, Location-Efficient Mortgages® (LEMs) were a concept developed by the nonprofit Institute for Location Efficiency. Based on their research, in 2003, Fannie Mae sponsored a market test of LEMs in Los Angeles, Chicago, and Seattle. The LEM Program allowed borrowers who lived near mass transit to qualify for larger mortgages and coupled their location-efficient mortgage with a 30-year transit pass. LEMs were discontinued in 2008 during the national lending crisis.

Implementation Options:

1. Study the city’s role in promoting green mortgages and location-efficient mortgage options to homebuyers.

Goals Addressed Through this Tool:

Strengthen Our Commitments

✓ Maintain the Middle

Create Diverse Housing Choices in Every Neighborhood

Create 15-Minute Neighborhoods

Strengthen Partnerships

Enable Aging in Place



Boulder Junction. Source: www.bouldercolorado.gov