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Government Offers Home Loans to 'Go Green'

With the encouragement and film endeavors of a former vice president, 'going green' seems to have become the buzz phrase for 2007. People across the country have been evaluating ways they can live more environmentally-friendly lives. Solar systems, in particular have been a popular choice in order to conserve energy and reduce carbon emissions. Unfortunately, installing such a system is usually a pricey upfront investment. If you have been deterred from cutting your energy bills and conserving energy with a solar system, you may be able to realize your environmentally-conscious plans by applying for one of several government home improvement loans.

The Department of Housing and Urban Development knows that solar systems are good for the earth; HUD also recognizes that such improvements are also good for home price appreciation. The combination of these facts has led the Department to create several mortgage loans to help homeowners 'go green.'

The first option is the Energy Efficient Mortgage Program. It was created in 1995 by a branch of HUD, the Federal Housing Administration. The FHA will insure loans made by approved-lenders to homebuyers planning to make energy-efficient improvements. These loans can have terms of 15 or 30 years with fixed or variable rates and properties with one to four units are eligible. The energy efficiency of the proposed improvements must be calculated. The added solar system may not exceed 5 percent of the property value, up to \$8,000. This type of loan is therefore allowed to exceed the FHA loan limits for the area. It can be used as either a mortgage or refinance loan.

HUD also offers the Mortgage Increase for Solar Systems program. This loan was created in 1978 in order to provide funding assistance for those seeking to install solar heating systems, although the funds can now be applied to the installation of solar panel systems as well. It allows homeowners or home buyers to get loans that exceed the FHA loan limits by as much as 20%. One caveat to this loan is that a 100% operational conventional energy backup system must be in place in the house as well.

Interested energy conservers can also apply for Title I Property Improvement Mortgage Insurance. This is a program that provides loan insurance to approved lenders so they can make improvement loans to borrowers with little or no home equity. The funds can be used for installing solar systems but there is no requirement to make energy efficiency calculations first. The maximum amount you can receive with one of these loans is \$25,000 for a single-family home or \$12,000 per unit for multi-family dwellings, not exceeding a total of \$60,000.

'Going green' is a great goal for 2007, especially if you take advantage of government home loan programs designed to help Americans improve the environment. And don't forget! In addition to helpful home loans, the government also offers sizeable tax deductions for installing energy efficient systems. These, and the savings of hundreds of dollars of monthly energy costs, can make the new investments even more worthwhile!