




United States Department of Agriculture
Rural Development

TO: State Directors
Rural Development

FEB 14 2013

ATTN: Program Directors
Single Family Housing

FROM: Tammye Treviño 
Administrator
Housing and Community Facilities

SUBJECT: New Homes Constructed Under Specific Energy Efficiency Programs as a
Compensating Factor

The purpose of this memorandum is to provide guidance on considering new homes constructed under specific energy efficiency programs as a compensating factor. A new home built to exceed the prevailing International Energy Conservation Code results in greater energy efficiency and significantly lowers the homeowner's utility costs. The lower utility costs associated with these energy efficient homes indicate that a prospective borrower may be able to make larger loan payments than the ratio analysis suggestions.

Given their resulting energy efficiency savings of up to 30 percent in comparison to typical new homes as well as their progressive and routinely updated building standards, new homes constructed under the following programs may be considered as a compensating factor:

- Energy Star for New Homes under the U.S. Environmental Protection Agency (http://www.energystar.gov/index.cfm?c=new_homes.hm_index)
- Challenge Home under the U.S. Department of Energy (http://www1.eere.energy.gov/buildings/residential/ch_index.html)
- Leadership in Energy and Environmental Design (LEED) for Homes under the U.S. Green Building Council (<https://new.usgbc.org/leed/rating-systems/residential>)
- ISO 700 National Green Building Standard under the National Association of Home Builders (<http://www.nahbgreen.org/NGBS/default.aspx>)
- Green Communities under the Enterprise Community Partners (<http://www.enterprisecommunity.com/solutions-and-innovation/enterprise-green-communities>)

EXPIRATION DATE:
February 28, 2014

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As permitted in 7 CFR 3550.53(g)(3) and further detailed in Handbook-1-3550, Paragraph 4.24 A., the compensating factor must be clearly documented and approved by the next level supervisor.

When a new home to be constructed under a specific energy efficiency program will be used as a compensating factor, the qualifying ratios may exceed the established thresholds by up to two percentage points provided the Field Office obtains verification that the property will be certified through one of the above programs.

Questions regarding this memorandum should be directed to Christopher Ketner of the Single Family Housing Direct Loan Division at (202) 690-1530 or christopher.ketner@usda.gov.

Sent by Electronic Mail on February 14, 2013 at 1:55 p.m. by Single Family Housing Direct Loan Division. The State Director should advise other personnel as appropriate.