

Homes with a lower sales price can actually be more expensive

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When building or buying a home, the sales price is not the only cost to consider. You also need to look at the costs to operate and maintain your home. Another consideration is whether the home can be expected to increase or decrease in market value.

The amount spent on monthly utility bills is a significant part of the maintenance cost. Many home buyers are opting for upgrades in building design that lower utility bills. Energy upgrades such as increasing insulation in the attic from R-19 to R-30, installing an efficient air-conditioning system, placing ductwork in air-conditioned spaces, using radiant barriers, and making sure the house is tightly sealed can make a house more energy efficient.

These upgrades can increase the sale price of the house and monthly mortgage payments, but there is a monthly net gain for the owner because of the decrease in utility bills.

Another reason home-owners may decrease overall housing expenses is that money paid for a mortgage is tax deductible and energy costs are not. Another factor for consideration is that in a fixed, 30-year mortgage, the interest rate and monthly principal remain the same. Utility costs are subject to possible increases.

An Energy Star designation is one way to identify a house that has been built to save money and energy. A house carrying the Energy Star seal is guaranteed to be 30 per cent more energy efficient than a home built to meet the minimum code requirements. The Environmental Protection Agency and the Department of Energy developed the Energy Star program.

The University of Florida Energy Extension Service recently compared two 2,600-square-foot houses that appeared virtually identical. One house had been built in 1991 using features thought to be energy efficient for that time period. The other was built to the Energy Star standards in 1998. The Energy Star home averaged \$197 a month in energy savings for the period of the study, April to December 1998.



"Homes that meet Federal Energy Star standards do look any different than other homes, but they can save anywhere from \$50 to \$200 per month in utility bills," said Pierce Jones, assistant director of the University of Florida Energy Extension Service.

Locally and nationally some mortgage companies are offering special mortgage options for Energy Star houses. Lenders will stretch the debt-to-income ratio so borrowers can qualify for a higher mortgage amount. They realize that since the homeowner is paying less in utility cost, more of their income is available to monthly mortgage payments. Chase Manhattan Mortgage

offers \$500 in cash off closing costs for homes that are rated Energy Star homes.

A certified energy evaluator will need to verify that the house merits an Energy Star rating. The evaluator calculates the best upgrade options and the payback time. After the house is built, the evaluator conducts a blower door test to determine the air-tightness of the house and duct system.

The Energy Star program currently only applies to new homes. However, energy efficient mortgages are available for existing houses. These mortgages are available for Federal Housing Administration insured mortgages and also through lenders participating in Fannie Mae's Energy Conservation Home Financing mortgage. The cost of making energy improvements is financed as part of the mortgage.

What about resale value? A recent study by a consulting firm contracted for the EPA found that energy-efficient homes have a high market value or resale value regardless of how long you own your home. The researchers also concluded that home value increases \$20 for every \$1 reduction in the average annual utility bill.

The Hillsborough County Cooperative Extension Service offers classes to educate the buyers on what to look for in a well-designed house. The program covers construction of a house from start to finish, information on energy-efficient mortgages and landscaping designs that work best in our region. The next class is scheduled for June 19 at the Hillsborough County Extension Service. The cost is \$5 per household and seating is limited so preregistration is required.

For more information, call Lisa Leslie, Hillsborough County extension agent, at (813)744-5519, Ext. 143.