



Appraisal Institute updates Residential Green & Energy Efficient Addendum

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The nation's largest professional association of real estate appraisers released an updated form intended to help analyze values of energy efficient home features. It remains the first of its kind intended for appraisers' use.

The Appraisal Institute originally issued its Residential Green and Energy Efficient Addendum in September 2011 as an optional addendum to Fannie Mae Form 1004, which is the valuation profession's most widely used form for mortgage lending purposes.

The Appraisal Institute's updated addendum allows appraisers to identify and describe a home's green features, from solar panels to energy-saving appliances. Form 1004 devotes limited attention to energy efficient features, so green data usually doesn't appear in the appraisal report, or it is included in a lengthy narrative that often is ignored.

The Appraisal Institute has added new energy fields to its form to help appraisers gather information on green features, removed the two columns for solar photovoltaic energy sources to align with the number found in a typical residential house, and in their place included a description of solar water heating systems because they are more prevalent in the market than solar photovoltaic sources and vary widely in their characteristics. The form also includes references to aid appraisers in completing the solar section and a glossary at the end of the addendum to assist the appraiser and other readers, such as lenders and consumers.

Used by Fannie Mae, Freddie Mac and the Federal Housing Administration, Form 1004 is completed by appraisers to uphold safe and sound lending. Currently, the contributory value of a home's green features is rarely part of the equation.

"The Appraisal Institute updated its addendum to make it easier for appraisers, lenders and consumers to use and understand," said Appraisal Institute president Richard Borges II, MAI, SRA.

"The form also will make it easier for appraisers to determine whether recent home sales should be used as comparable sales and provide assistance for Realtors in populating MLS data fields with accurate green information."

The updated addendum reflects input from the U.S. Green Building Council and the National Association of Home Builders.

The Appraisal Institute long has been the industry leader in green valuation. In addition to the updated addendum:

Since June 2008, the Appraisal Institute has offered nearly 280 individual courses on green and energy-efficient valuation, and nearly 5,000 attendees have participated.

In February 2013, the Appraisal Institute added a new solar course to its Valuation of Sustainable Buildings Professional Development Program, which educates appraisers on the intricacies of valuing high-performance residential and commercial buildings, and consists of four courses:

"Introduction to Green Buildings: Principles & Concepts;" "Case Studies in Appraising Residential Green Buildings;" "Case Studies in Appraising Commercial Green Buildings;" and "Residential and Commercial Value of Solar."

In January 2012, the Appraisal Institute announced its support for PV Value, a spreadsheet developed by Solar Power Electric and Sandia National Laboratories that assists appraisers and others seeking to establish the value of a property's solar-powered features.

The Appraisal Institute contributed to the Green MLS Tool Kit, issued in April 2010. The tool kit was created to help Realtors add a green initiative to their local multiple listing service. The tool kit provides guidance on enhancing data in the MLS, empowering appraisers to make well-supported comparisons, analyses and adjustments.

Published by the Appraisal Institute in June 2010, "An Introduction to Green Homes" by Alan Simmons, SRPA, LEED AP, provides the appraiser with an overview of programs, organizations and products that relate to environmentally responsible building and remodeling.

The Appraisal Institute and the Institute for Market Transformation issued guidance for green valuation - "Recognition of Energy Costs and Energy Performance in Real Property Valuation" - at a forum hosted in May 2012 by the American Council for an Energy-Efficient Economy.

The Appraisal Institute in October 2011 sponsored a report that outlined ways to finance \$150 billion per year in energy efficiency projects that yield double-digit financial returns. "Energy Efficiency Financing: Models and Strategies" by Capital-E and partner organizations found that within 10 years, investment at this level would save U.S. businesses and households \$200 billion annually and would create more than 1 million new full-time jobs.

In October 2011, the Appraisal Institute endorsed the federal Sensible Accounting to Value Energy (SAVE) Act, which would improve the mortgage underwriting process by ensuring energy costs are included. Sponsored by Sens. Michael Bennet, D-Colo., and Johnny Isakson, R-Ga., the SAVE Act would instruct federal loan agencies to assess a borrower's expected energy costs when financing a house. IMT also is among the bill's supporters.

The Appraisal Institute was among the sponsors of the Vancouver Valuation Accord, an agreement to address the interrelationship of sustainability and valuation that was signed March 2007 in Vancouver, British Columbia, Canada.