



CONVINCING CUSTOMERS TO CHOOSE CONCRETE

Knowing mortgage options for concrete homes can help you close the deal

By Melissa Nielsen

Imagine a home that can withstand 200 mph winds, tornados, earthquakes, termites, floods, fires, and bullets, last hundreds of years, stay cooler in the summer and warmer in the winter, while saving money and the environment. It probably sounds unrealistic—or at least unaffordable—to a potential buyer. But a home with a list of benefits like this not only exists, but is affordable, realistic, and becoming increasingly popular nationwide. The phenomenon is a concrete home.

In the past, people have been resistant to concrete homes because of the difference in the price tag says Brad Wells, president of Ameristar Financial, Salt Lake City, UT. But today's lumber prices have closed that gap. According to Joseph Lyman of the Insulating Concrete Form Association, concrete homes usually cost only 3% to 5% more to build than a wood-frame house, but it depends on the area and the experience of the builder. As a crew becomes accustomed to working with concrete the construction time decreases, saving the contractor on labor costs. And even if they are slightly more expensive to build, the monthly savings on utilities make the concrete home a better buy in the long run.

The utility savings mean even more to buyers because of the current high prices

for energy. "As energy prices continue to rise, those energy efficient qualities of concrete construction will become even more attractive," says Wells.

Because of the energy efficiency of concrete homes, mortgage lenders have created unique mortgage options that offer the consumer more home buying power—on top of the long-term energy savings, tax incentives, and an increased resale value. "The energy-efficient mortgage (EEM) can be a real selling point for builders," says Jim Taylor, director of product innovation with Federal National Mortgage Association (Fannie Mae). "They can team up with lenders and it can help builders gain an advantage over their competitors."

The savings from an energy-efficient home expand the debt-to-income ratio,

which allows the customer to qualify for a larger mortgage explains Tim Landwehr, first vice president of home construction lending, IndyMac Bank, Atlanta, GA. "The benefits of an energy-efficient mortgage enable the borrower to buy more house."

An energy mortgage factors a home's energy efficiency in to the home loan. Two types of energy mortgages exist: the energy-improvement mortgage (EIM), used to finance the energy upgrades of an existing home; and the energy efficient mortgage (EEM), which uses the energy savings of a new home to increase buying power and capitalize on those savings in the appraisal. "We see the energy efficient mortgage as a product builders can use as a marketing point," says Taylor, the Fannie Mae representative.

Example HERS Report

	Wood	Concrete
Home price	\$150,000	\$154,816
Loan amount (10% down)	\$135,000	\$139,334
Monthly payment* (8% interest)	\$991	\$1023
Energy bills	+\$186	+\$93
Total monthly cost of home ownership	\$1,177	\$1,116
Monthly savings		\$ 61

*Estimated mortgage payments are based upon principle and interest only, and do not include taxes and insurance. Value indicated here is for example only, and will vary from home to home. Building cost will also vary by region.

An EEM can only be done if an official home energy rating or Home Energy Rating System (HERS) Report ensures that the buyer will save money on utility costs. The HERS report includes the overall rating of the house, as well as the recommended energy upgrades; the estimated cost savings and useful life of upgrades; the Improved Rating Score after upgrades; and the estimated annual total energy cost for the existing home before and after upgrades. (See example opposite page.)

There are also tax incentives for building with concrete but Wells says that's usually not the primary incentive. "Even if there wasn't any tax incentive, building with concrete makes a lot of sense all the way around." He has decided to build a concrete home for his family and use it as a model home for a possible concrete home subdivision in Sandy, UT.

Orlo Stitt, president of Stitt Energy Systems, Inc., Rogers, AR, says more people would build concrete if they understood the benefits. "It is a matter of educating—educating builders, subcontractors, potential buyers, mortgage lenders, about energy efficiency."

The environmental aspect of the concrete home can be another selling point. "Every time we build a traditional house, how many trees do we cut down?" Wells says. Lumber for a medium-sized traditionally framed house consumes about 50 trees. No one is against preserving the earth's resources, so this point may pull the heartstrings of environmentally conscious potential buyers.

Although buyers may look to building with concrete for various reasons, the main financial incentive is energy efficiency. According to a study published in the October 1998 issue of *Appraisal Journal*, a home's market value increases \$20 for every \$1 decrease in the annual energy costs. The Pacific Northwest National Laboratory analysis figured that building a home to exceed the Model Energy Code would result in an annual savings of \$170 to \$425, which equates to an increased home market value of \$4,250 to \$10,625. So the 3% to 5% increase in building costs for a concrete home will more than offset by the home's increased value.

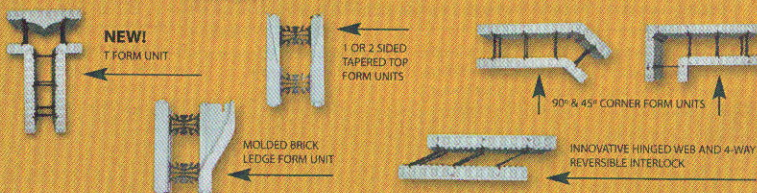
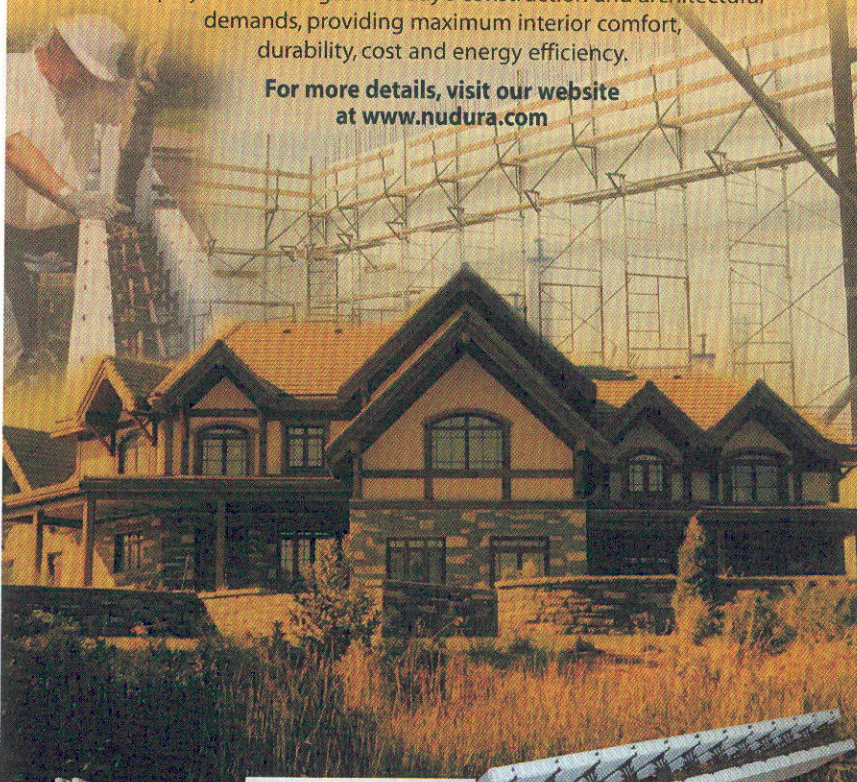
Concrete homebuilding is a niche market that is going mainstream says

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Fosdick, president of Tierra te Homes Inc., Boone, CO, and popularity is exploding. Between 2000 and 2001, only 19,000 homes were built to green building guidelines. In 2002 alone, over 13,000 green homes were built. Today, there are more than 100,000 green homes in the U.S. Despite the growing demand, concrete homes are still considered non-traditional within the lending market. The

challenge customers face in financing an energy-efficient or concrete home is finding a lender who understands the situation. "It's like going to a foot doctor for heart problems," Link says. "You have got to find a lender who knows how to help."

Some lenders, however, are catching on. Across the country, they are increasingly using EEMs to make concrete homes more affordable and support the green building trend. The Federal



CONCRETE SAVES: Although the initial building cost for concrete is 3-5% more, the concrete home owner saves money in the long run in monthly utilities. Lenders have looked at those savings and now offer energy-efficient mortgages that "enable the borrower to buy more house" says Tim Landwehr of IndyMac Bank.

Housing Administration Energy Efficient Mortgage (FHA EEM) covers upgrades for new and existing homes and is available in all 50 states. Veteran Affairs (VA) EEMs are available to qualify military personnel, reservists, and veterans across the country for energy improvements when purchasing an existing home. Fannie Mae has developed two versions of the product: the EEM and MyCommunity Mortgage. MyCommunity is a variation of the EEM for low- to moderate-income families with less-than-perfect credit. The Fannie Mae consumer resource center hotline (1-800-7-FANNIE) provides a list of lenders that offer EEMs in every region of the country.

Landwehr, the banker in Atlanta, sums up why he has no qualms financing concrete homes. "We have researched it; we understand it," he says. "Concrete homes will definitely be in the future of the industry and we are committed to lend in it." If builders are interested in more information about IndyMac's national lending programs they can contact Alex Cole at 1-888-887-9777 or by email at alexander.cole@indymacbank.com

When a customer is interested in buying a concrete home, this may help close the deal. The concrete home looks the same, is cheaper to own, easier to finance, and is worth more in a resale. It is also quieter, more comfortable, more durable, environmentally friendly, and is hurricane, tornado, earthquake, fire and termite resistant. Everyone wins when you choose to build with concrete. ■

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