



April 30, 2015

**STATEMENT OF KENNETH GEAR, CEO  
LEADING BUILDERS OF AMERICA  
BEFORE  
THE HOUSE OF REPRESENTATIVES  
ENERGY AND COMMERCE COMMITTEE  
SUB-COMMITTEE ON ENERGY AND POWER**

**“ENERGY EFFICIENCY LEGISLATION AND THE SAVE ACT”  
April 30, 2015**

Thank you for the opportunity to express the views of Leading Builders of America (LBA) regarding energy efficiency and the Sensible Accounting to Value Energy (“SAVE Act”).

LBA commends Chairman Whitfield and Ranking Member Rush for exploring ways to improve energy efficiency in this country and removing barriers to achieving further improvements in energy efficient building. LBA member companies are convinced that the SAVE Act is the most impactful efficiency provision under consideration by Congress. It will remove barriers to building more efficient homes and bring new and innovative products to market all while saving homeowners money on their utility bills.

Leading Builders of America is a trade association representing 21 of the largest homebuilders in the nation. In 2013, our members built more than 132,000 homes in thirty-four states accounting for nearly one-third of the new homes sold in the U.S.

LBA member companies are building green homes every day throughout the country and are active participants in voluntary energy efficiency programs like Energy Star, Builders Challenge, Environments for Living and other green building programs and are committed to building an energy-efficient future. Our members are on the front lines of this effort and recognize the important role that housing can play in reducing energy consumption in the United States. However, there are barriers to building the highly efficient homes that homebuyers want and deserve.

#### **A. SAVE ACT IS CRITICAL (§433 of S.720).**

A prospective homebuyer considering an energy efficient home should be in a win-win situation. An energy efficient home is good for the environment, cheaper to own, and more comfortable to live in. However, while today's homebuyer values the energy efficient features available in new homes, the mortgage underwriting and appraisal process administered by the federal government does not allow homeowners to properly value or finance those features. LBA believes that providing tools to help homebuyers finance energy efficiency features, and ensuring that those features are properly valued in appraisals, must be at the heart of any legislation aimed at reducing energy consumption in homes. The good news is that these improvements can be made quickly and without a taxpayer subsidy or hidden tax on consumers. The only action required is to update existing mortgage underwriting rules. See, The SAVE Act (§433 of S.720).

Enacting the SAVE Act will:

- 1) Increase the energy efficiency of new and retrofit homes
- 2) Significantly reduce homeowners' monthly utility bills
- 3) Spark innovation and job creation by US manufacturers of energy efficient products
- 4) Increase the accuracy and transparency of mortgage underwriting
- 5) Create a voluntary program without a new government bureaucracy
- 6) Boost the homebuilding and manufacturing industries

1. **Market Based Energy Efficiency:** Currently over 90% of the mortgages originated in the U.S. are through Federal Government entities such as FHA, VA, Fannie Mae and Freddie Mac. Their underwriting standards and processes have not kept pace with significant shifts in consumer costs and building technology. The private sector is delivering more energy efficient homes and cost effective technology, but changes to federal mortgage processes are needed to make it more widely available to working and middle income Americans. The SAVE Act will provide the policy guidance needed to overcome bureaucratic inertia.

2. **Consumer Benefits:** The SAVE Act will save money for borrowers by creating a more transparent and predictable mortgage market, with lower default rates, which means lower costs for everyone. Just as importantly, buyers are incentivized to purchase energy efficient homes because the savings are recognized in their borrowing ability, even as they reduce their monthly energy bills.

3. **Promotes Manufacturing:** Most products that go into new homes are made right here in the US, but product manufacturers who are continually developing new technologies, are finding that builders cannot use these new products because the incremental cost in most cases cannot be financed as part of a buyer's mortgage. Passing the SAVE Act will unlock manufacturing demand for these innovative new products and significantly reduce homeowner's utility bills. A classic win-win.
  
4. **Transparency:** The SAVE Act increases transparency and accuracy in residential mortgage underwriting. By recognizing energy costs, which are generally more than taxes or insurance, the risk in a mortgage loan will be clearer and the risk of default, therefore, is reduced.
  
5. **Voluntary:** The SAVE Act will reduce energy consumption with market mechanisms, not more government regulation or ill-conceived subsidies. By recognizing the reality – and the benefits – of lower energy costs, buyers have an incentive to buy, and builders have an incentive to build, energy efficient homes. Over one-quarter of US energy consumption is generated at the household level and the savings will be significant. This can be accomplished with no government subsidies, no new bureaucracies and no hidden taxes on consumers. The program can operate within existing government programs without any significant administrative costs.
  
6. **Boosts our Economy:** The SAVE Act will boost jobs and the economy. As any American motorist can attest, lower energy costs translate into more disposable income to spend or invest. That helps everyone. At the same time, the residential housing and manufacturing industries, major job providers, will get a shot in the arm with more credit-worthy buyers participating in a rapidly growing segment of the market.

#### **B. Energy Star Program - HR 504**

The LBA also supports passage of The Energy Star Program Integrity Act (HR 504 and Section 4121 of the Discussion Draft). LBA member companies are innovators in energy efficient residential construction and have been active participants in the federal government's ENERGY STAR program. The LBA supports legislation like *The Energy Star Program Integrity Act* that stimulate economic growth, spur innovation, protect the environment, and promote energy efficiency. ENERGY STAR is a popular federal program that encourages companies in a wide variety of industries to voluntarily invest in the development of energy efficient technology, reducing energy consumption and growing the economy. Wide

participation in the program, however, could be threatened by a recent trend of lawsuits against ENERGY STAR Partners after a product is disqualified.

Reduced participation in the ENERGY STAR program would be a step backward for the promotion of energy efficient technologies. The *Energy Star Program Integrity Act* would maintain the administrative and enforcement roles of the Department of Energy and Environmental Protection Agency, deter unnecessary lawsuits, and ensure continued participation in the ENERGY STAR program from producers and consumers alike.

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