

Energy Efficient Mortgages: FHA vs VA Guide



Your Path to Financial Growth,

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MORTGAGE MADE EASY ACADEMY

The Smarter Way to Finance Comfort and Efficiency

Buying a home is one of the biggest investments you'll ever make—so why not make it as efficient and comfortable as possible from the start? An Energy Efficient Mortgage (EEM) allows you to finance approved energy upgrades directly through your home loan, instead of juggling extra financing or upfront costs.

This guide explains how FHA and VA EEMs work, how much you can finance, and what upgrades typically qualify. You'll also see real examples from Roseville and Auburn homes to help you picture the possibilities. By the end, you'll know exactly how these programs can make your home more affordable, comfortable, and future-ready.

What Is an Energy Efficient Mortgage?

An Energy Efficient Mortgage (EEM) lets you roll the cost of approved energy-saving upgrades into your home loan. Instead of taking out a second loan or paying upfront, improvements are financed within the mortgage itself—making it easier to afford efficiency upgrades from day one.



With an EEM, the benefits go beyond convenience:

- **Lower Bills:** Utility savings often exceed the added loan cost.
- **More Comfort:** Better heating, cooling, and insulation make a noticeable difference.
- **Higher Value:** Energy-efficient homes attract buyers and appraisers.
- **No Separate Loan:** Everything stays in one monthly payment.



FHA vs. VA EEM at a Glance

While both FHA and VA Energy Efficient Mortgages (EEMs) let you finance energy-saving upgrades, the two programs differ in how much you can borrow, who qualifies, and how quickly improvements must be completed. Here's a quick side-by-side comparison:

Feature	FHA EEM	VA EEM
Typical Budget	$20,000–$30,000 (based on % formula + audit)	$0–$6,000 (higher only if value supports it)
Qualification	Uses base FHA loan approval; no re-qualification needed	Must already qualify for VA benefits
Timeline	Improvements usually completed within 90 days after closing	Improvements allowed up to 6 months post-closing
Best For	Larger upgrade packages (e.g., HVAC, insulation, windows)	Smaller, high-impact fixes (e.g., thermostat, duct sealing)

Both options make it easier to upgrade your home's efficiency without a second loan, but choosing the right program depends on your eligibility and the scale of improvements you're planning.

Local Examples: How It Works in Practice

Here are two current examples showing how EEMs can work for buyers in Roseville and Auburn.

1. Roseville (Older Home—Great EEM Candidate)



665 Whyte Ave, Roseville, CA 95661
$549,900 — 4 bd / 2 ba — Built 1960

Older homes like this often have outdated systems, making them ideal candidates for meaningful energy upgrades.

Potential Upgrade Budgets:

- **FHA EEM:** Up to about $27,495 (illustrative ceiling, final cap depends on FHA's "smallest-of" test + audit).
- **VA EEM:** Typically $0–$3,000, up to $6,000 if savings meet guidelines; more possible only with value support.

What We'd Add to the Cart:

To maximize efficiency and comfort, we'd consider:

- High-efficiency heat-pump HVAC with duct sealing/balancing
- Attic insulation to code plus whole-home air sealing
- Heat-pump water heater and smart thermostat
- Targeted window/door measures if the audit shows cost-effectiveness

2. Auburn (Fixer Vibe—Tailor-Made for EEM)



11765 Jones St, Auburn, CA 95603
$415,000 — 2 bd / 1 ba — Built 1950

Fixers are a perfect match for EEMs, since efficiency work can be built into the loan from the start.

Potential Upgrade Budgets:

- **FHA EEM:** Roughly up to $20,750 (illustrative ceiling, subject to the audit and FHA's cap).
- **VA EEM:** Usually $0–$3,000, with $3,000–$6,000 possible if savings ≥ payment increase.

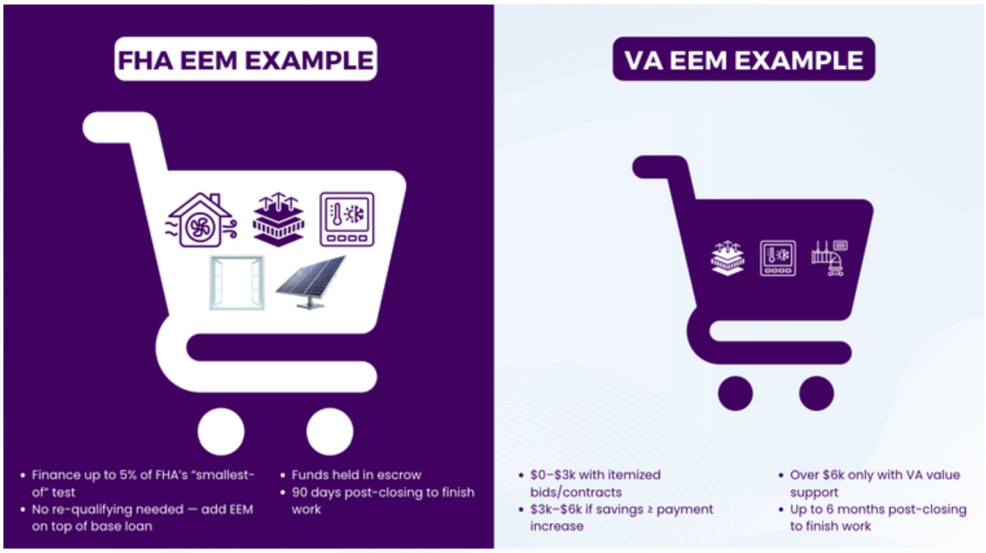
What We'd Add to the Cart:

To boost comfort and cut bills, upgrades could include:

- R-38 attic insulation and full-home air sealing
- Duct sealing and tune-up
- Smart thermostat and LED lighting package
- Water-heater wrap, pipe insulation, and bath-fan upgrades

FHA vs. VA EEM — Rules in Plain English

The FHA and VA programs differ in how much you can finance, but both make it simple to add upgrades.



FHA EEM (Why Your Cart Is Bigger):

Here's how it works in practice:

- You can finance the cost-effective package up to 5% of the smallest of: Adjusted Value, 115% of the area median single-family price, or 150% of the national conforming loan limit.
- You qualify on the base FHA loan; the EEM is added only if the audit supports it.
- Funds are escrowed, with work usually completed within about 90 days after closing.

VA EEM (Smaller Cart Unless Value Supports More):

The VA program allows energy upgrades in tiers:

- $0–$3,000 with itemized bids/contracts.
- $3,000–$6,000 if the lender can document savings ≥ payment increase.
- Over $6,000 only with a VA value determination—less common.
- Work is typically allowed up to six months post-closing with escrow.

VA Termite / WDI Requirements in California

If you're using a VA loan in California, be aware of wood-destroying insect (WDI) rules.

- VA requires statewide inspection for WDI, fungus, or dry rot under its Minimum Property Requirements.
- Most lenders accept the **California Structural Pest Control Board WDO Inspection Report** or the **NPMA-33** (with "no visible evidence" findings).
- If an active issue is found, repairs must be made according to the pest contractor's recommendations.

Our Promise on VA Overlays

At **Amy DeBusk Home Loans,** we keep things simple: we follow VA's guidelines as written—nothing more, nothing less. That means:

- **No unnecessary overlays.** We won't add extra hurdles that slow you down.
- **Faster closings.** Because we stick to VA rules, your loan can move from contract to keys with less red tape.
- **Veteran-focused service.** Our priority is helping you use your hard-earned benefit with confidence, without surprise conditions or last-minute changes.
- **Clear communication.** You'll always know exactly what's needed for approval, so there are no delays or confusion.

With us, your VA loan stays true to its intent: making homeownership more accessible for Veterans, without added stress.

Step-by-Step: How We Make This Easy

Here's the roadmap we use with every Energy Efficient Mortgage (EEM) client to keep the process smooth and stress-free:

- **Free 45-Minute Zoom:** We start with a conversation about your goals, home type, comfort issues, and energy wish list.
- **Pre-Approval + Product Fit:** Together, we determine whether FHA, VA, or conventional EEM options are the best fit.
- **Energy Assessment:** We connect you with trusted local HERS raters for a professional home energy evaluation.
- **Scope + Pass Test:** We fine-tune the upgrade package until it meets cost-effectiveness guidelines.
- **Bids + Escrow:** We help coordinate contractor bids that match the audit's recommendations and place funds in escrow.
- **Underwrite & Appraise:** Our team manages the numbers, loan approval, and any valuation requirements.
- **Close + Complete Work:** Funds are released once the improvements are finished and verified.
- **Enjoy:** You move in knowing you'll benefit from lower energy bills, improved comfort, and a more efficient home.

Scan the QR code to take the next step toward homeownership!

Frequently Asked Questions (FAQs) — EEM Basics (FHA & VA)

Let's tackle the most common questions buyers ask about Energy Efficient Mortgages (EEMs):

- **What upgrades usually "pass" the cost-effectiveness test?**

Typical winners include air sealing, attic insulation, duct sealing, heat-pump HVAC systems, heat-pump water heaters, programmable or smart thermostats, and selective window or door upgrades. In some cases, solar panels also qualify—if the audit shows they'll save more money than they cost over time.

- **Do I have to income-qualify again for the FHA add-on?**

No. Your eligibility is based on the base FHA loan. The EEM is simply added on top if the audit supports it, so you don't have to go through a second income qualification.

- **How big can an FHA EEM be?**

It usually ranges from $20,000 to $30,000, depending on the "smallest-of" calculation (percentage of the loan, dollar cap, or amount supported by the audit). This allows meaningful upgrades without requiring a separate loan.

- **How big can a VA EEM be?**

Most VA EEMs are capped at $6,000. However, in certain cases where the VA determines the added value supports it, larger amounts may be approved.

- **Can I finish work after closing?**

Yes. Both FHA and VA allow improvements to be completed after closing, with funds held in escrow. FHA typically allows about 90 days, while VA allows up to six months depending on the scope.

- **Will this delay closing?**

Not if the process is managed early. By lining up the energy audit and contractor bids at the beginning, we can keep your loan on track so closing happens right on schedule.

- **Does solar qualify?**

Sometimes. Solar projects are reviewed carefully, and they only qualify if the audit proves the long-term utility savings outweigh the upfront costs.

Property-Specific FAQs

Every home is different, and the right EEM upgrades depend on its age, condition, and energy profile. Here are examples of how EEMs could apply to specific properties in our area:

Roseville — 665 Whyte Ave (1960 build)

- **What upgrades make the biggest difference in an older Roseville home like this?**

Heat-pump HVAC, attic insulation with proper air sealing, duct sealing, a high-efficiency water heater, and a smart thermostat typically deliver the best results.

- **What's the likely FHA EEM budget for this property?**

Around $27,500 is a reasonable expectation, but the final cap always depends on the energy audit results and FHA's "smallest-of" calculation.

Auburn — 11765 Jones St (1950 fixer)

- **What can a VA EEM usually cover for a home like this?**

A budget of $3,000–$6,000 often works well for improvements like attic insulation and sealing, duct sealing, and installing a smart thermostat.

- **What if the upgrades cost more than $6,000?**

In that case, an FHA EEM may be a better fit, since it can provide a higher ceiling for energy-saving improvements.

Ready to See Your Pass/Fail EEM Cart?

Just send me:

- Your property address (with city/county)
- Your utility provider (PG&E, SMUD, or Roseville Electric)
- Your energy wish-list (HVAC, insulation, windows, solar, etc.)

Scan the QR code to take the next step toward homeownership!