

Understanding the Green Home Transaction

A green or efficient home often looks like any other home. The features that improve their performance are often invisible to the naked eye. That's what makes these homes both unique and challenging – and why buyer and listing agents need extra resources to help clients during a green or efficient home transaction. And that's why **disclosure and third-party verifications are never more critical than when you are helping a client buy or sell a green or efficient home.**

The best way to make the invisible advantages *visible* during a green home transaction is to make disclosure and third-party details about the home easily accessible to all parties and partners. This section outlines what you need to know when you work with partners like appraisers, attorneys and home inspectors during a green home transaction:

[Listing Input](#)

[Searching for Green Homes](#)

[Financing, Appraisal and Closing](#)

MRED's Green MLS fields were designed with this disclosure in mind, from listing input, to search, to contract contingencies, appraisal and closing. Check the [Learn about MRED green fields](#) section for step-by-step field information.

Listing Input

Green is truly in the eye of the beholder! Some sellers may have pursued sustainable products like bamboo floors. Some buyers may only be seeking homes with proven energy savings. Green fields are located throughout ConnectMLS to help you best promote your clients' green features. These fields were strategically chosen to ensure listings can showcase green features without requiring pages and pages of field options. The fields also ensure that buyers and sellers can agree to their mutual definition of green, and how that might be reflected in the sales terms.

Listing a home with green features is a three-step process:

Step 1 - **Flag** the home as green. Use the "Green Supporting Documents?" field, and select "Yes".

MRED[®] Welcome Laura Reedy-Stukel
Midwest Real Estate Data REInventing MLS My MLS Search Listings

Edit Listing - 130 E WINDSOR AVE (Detached Single)

General Ext. Feat. Int. Feat. Ro Utilities/Green Tax/Assess. Off

Fields marked with * are required. (Non-required fields provide important marketing info)

*Air Conditioning: A MLS

*Water: B MLS
(2 max)

*Sewer: D MLS
(2 max)

Electricity: A MLS

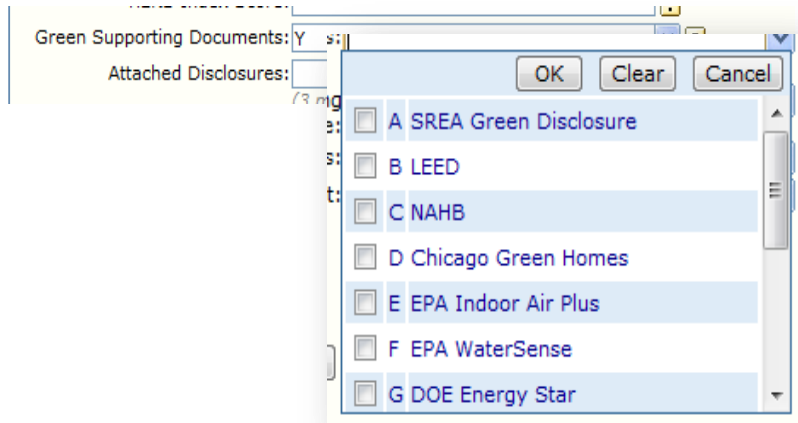
*Heat/Fuel: A,F MLS

HERS Index Score: ?

Green Supporting Documents: Y ?

Attached Disclosures:
(3 max)

Step 2 – **Verify**. Many green technologies are new, or new to homes in our market. So the chance for errors, confusion or even *greenwashing* (making something that is not green, appear to be green) is high. Nothing protects you or your seller better than asking the client to describe the green features of a home, or share any assessments by a professional third-party. When you select “Yes” as above, you will have the option to select up to three options from 14 selections to verify what makes your listing green! Choices include certifications for both new and existing homes, as well as popular scoring, testing and disclosure options. Look for full details in the [Green Room Online Library: Approved MRED Green Supporting Documents & Sponsoring Programs](#).



Step 3 – Add **details**. The best place to describe what makes your green listing special is in the [SREA Green Disclosure Form](#). Your seller can fully outline green products, features and building practices featured in the home and then attach this disclosure to the listing.

5. Building Envelope

Advanced Building Methods

- House building wraps
- Advanced Framing
- Structural insulated panels (SIPs)
- Insulating concrete forms
- Thermal mass construction: _____
- Other: _____

Windows - U Rating* .30 Partial Complete

- ENERGY STAR Rated
- Spectrally selective glass
- Space filling foam
- Energy-efficient window coatings (Low E, etc)
- _____
- High insulation frame: _____
- Weatherized: _____

*Lower U value = better insulation value

Insulation

Location	R-Value*	Type -- see codes below	<input type="checkbox"/> Partial	<input checked="" type="checkbox"/> Complete
Roof/Attic	<u>38</u> (Min R38)	<u>FF</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Slab	_____ (Min R13)	_____	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Ext. Walls	<u>19</u> (Min R13)	<u>FP RJ</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Int. Walls	<u>13</u> (Min R13)	<u>SF</u>	<input type="checkbox"/>	<input type="checkbox"/>
Floor/Ceiling	<u>25</u> (Min R25/R30)	<u>FF</u>	<input type="checkbox"/>	<input type="checkbox"/>

*Higher R value = better insulation value

Insulation Types (enter all that apply)

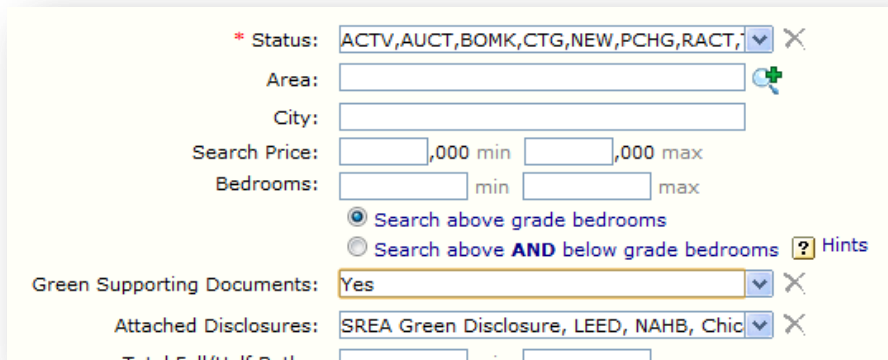
- NF = Natural Fiber** Insulation (recycled blue jeans, other recycled natural content)
- RC = Recycled Content** Cellulose (Post consumer recycled content)
- FF = Formaldehyde-free** Insulation
- SB = Soy-based** Spray Foam Insulation
- SF = Spray Foam** Insulation
- IP = Sub-floor** Modular Insulated Panel
- CB = Cork** Board
- RI = Rigid** Board Insulation
- FP = Foundation** Perimeter Insulation
- ES = ENERGY STAR** rated

See the [Chicago Green MLS video](#) for more information on MRED green fields. Or jump [Learn about MRED green fields](#) section.

Searching for Green Homes

Green technology is evolving and improving fast. When dealing with green or efficient homes it is important to always present yourself as the “source of the source” of more information, rather than a green expert. MRED’s green field design encourages this. When helping clients search for a green home, the green fields are organized with two levels of details. Understanding these levels will help you share information with clients in the most useful way – and will also help you understand when clients should reach out to green experts to confirm the details in a home. This approach will protect your clients from potential greenwashing, and will protect you from liability.

Level One – Third-Party Verified Documentation: Search using the “Green Supporting Documents?” and/or “Attached Disclosures” field to get the highest-level of green information – and all of it confirmed by the seller or a professional third-party (i.e., a green expert). Once you find listings that have green supporting documentation you can review the actual documents attached to the property.



A screenshot of a search filter interface. The filters include: Status (ACTV, AUCT, BOMK, CTG, NEW, PCHG, RACT), Area, City, Search Price (min/max), Bedrooms (min/max), and options for 'Search above grade bedrooms' and 'Search above AND below grade bedrooms'. The 'Green Supporting Documents' filter is set to 'Yes', and 'Attached Disclosures' includes 'SREA Green Disclosure, LEED, NAHB, Chic'.

Then look for the supporting documents by clicking “Additional Information” in the upper right corner of the listing results.



Level Two – Green Fields: Fields such as [HERS Index Score](#) and [Energy/Green Building Rating Source](#) and Green Features allow you to search for specific level of “green-ness” or features. It is important for the buyer to confirm the information listed in these fields if supporting documents are not attached.

The image shows a search form with the following fields and options:

- * Status: ACTV,AUCT,BOMK,CTG,NEW,PCHG,RACT, [dropdown] X
- Area: [text input] +
- City: [text input]
- Search Price: [text input],000 min [text input],000 max
- Green Supporting Documents: Yes [dropdown] X
- Attached Disclosures: SREA Green Disclosure, LEED, NAHB, Chic [dropdown] X
- HERS Index Score: [text input] min [text input] max
- Energy/Green Building Rating Source: [dropdown]
- Green Features: [dropdown]

The Green Features dropdown is open, showing a list of features with checkboxes:

- Select All
- Photovoltaic/Solar System
- Pre-wired for PV/Solar
- Solar Hot Water
- Geothermal Heating/Cool...
- Tankless hot water heater
- Enhanced Air Filtration

Buttons: OK, Clear, Cancel

Financing, Appraisal and Closing

When buyer and seller come together for a green home sale there is often an appreciation of the green elements of the home that is reflected in the sales terms, usually the sales price. All the third-party documentation that made these often invisible features obvious to the buyer are equally important through to closing. For example, lenders may need this information for buyers to qualify for special green loans and home inspectors may be able to confirm green building design they will encounter.

It is especially important for appraisers to understand these features when they are called to assess the value of the property.

In September, 2011 the Appraisal Institute released the [Green & Energy Efficiency Addendum](#). This form is designed to allow appraisers to capture the important green features of a home when appropriate, and calculate any value that may be related to benefits like energy savings.

While this form is helpful to green home sellers, the majority of appraisers have not yet encountered this addendum. Therefore, if you are representing a green home seller it is especially important to understand how the green appraisal process works, how MRED fields support this, and how best to guide your client through it:

1. **Green Competency and Appraisal Assignment**
2. **Preparing for the Appraisal**
3. **Getting a Second Opinion**

1. **Green Competency and Appraisal Assignment**

Legislation like the Home Valuation Code of Conduct put an important separation between lender and appraiser. So while a lender or client cannot select an appraiser, the client still has a right to a [competent appraiser](#). You wouldn't expect a condo appraiser to assess horse property. Likewise, a green home seller should expect an appraiser who understands green building. The problem is that green is a newer trend, and most appraisers do not have training on green practices. A listing agent can support their green home client by explaining the appraisal competency rule to all parties, and encouraging the buyer and lender to work in additional time to have the best qualified appraiser assigned.

2. **Preparing for the Appraisal**

The inventory of green and efficient homes is still growing in our area. Therefore, the listing agent may need to do additional prep work to determine if any comparable green homes have sold recently. Since many of MRED's green fields are new, this may involve some manual digging to find out.

Appraisers who are leading the work on green home valuation recommend listing agents also make the following data available during a green home appraisal:

- Details on any green certificates, ratings, scores or tests on file - Use [Green Supporting Documents Field](#)
- Provide one-year history of utility usage - Use [Green Supporting Documents Field](#)
- Document specific features and products – Use [SREA Green Disclosure Form](#)
- Optional – Outline specifically how the home surpasses minimum code requirements

Additional Resources: [Appraisal Institute - Valuing High Performance Houses](#)

3. **Getting a Second Opinion**

Unfortunately there is often a big learning curve for all the parties involved in a green home transaction today. From buyer or listing agent to appraiser and underwriter, chances are someone in your transaction chain will be new to green buildings. Therefore it is important to manage expectations. Be prepared to encounter issues like the appraisal coming in low because green features were not considered. Or possibly underwriting does not have enough data to approve the added value for green. It is important to understand options during a green home transaction. If the closing process gets off track – is there time or budget to hire a second appraiser? Can the seller provide the details to satisfy

the underwriter? Remember to keep focused on the goal of getting to closing, that these homes require additional legwork on the part of the buyer, seller and their representatives and that it's important to ask good questions and to have multiple options when problems may arise.