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Embracing sustainability with ‘green mortgages’

Promoting and facilitating environmentally friendly home enhancements

The worldwide shift towards sustainability has permeated various industries, and real estate isn't immune. As we all aim to shrink our ecological footprints, ground-breaking solutions are emerging to make sustainable living a reality.

One such innovative idea is the ‘green mortgage’. Here, we'll explore the concept of green mortgages, their workings and their benefits to homeowners and the environment.

Understanding green mortgages

A green mortgage, also known as an ‘energy-efficient mortgage’ (EEM) or ‘eco-friendly mortgage’, is a financial tool designed to promote and facilitate environmentally friendly home enhancements. Various financial institutions, including banks and credit unions, offer these mortgages. The main objective is to incentivise homeowners to invest in energy-saving upgrades and sustainable construction practices.

Functioning of green mortgages

Green mortgages incentivise homeowners to make energy-efficient home improvements by offering financial benefits. These enhancements include installing solar panels, energy-saving windows, upgrading insulation and enhancing heating systems. The upgrade cost is typically incorporated into the mortgage amount, spreading the investment over the loan's tenure. The rationale behind this strategy is that the energy savings from these upgrades will balance the additional mortgage cost.

In certain circumstances, homeowners may even qualify for a lower interest rate or discounted fees when choosing a green mortgage. Due to their reduced energy consumption, lenders view energy-efficient homes as less risky, making them more inclined to offer favourable terms to borrowers dedicated to sustainability.

Advantages of green mortgages

Monetary savings

One of the significant benefits of green mortgages is the potential for long-term financial savings. Energy-efficient upgrades can reduce utility bills, freeing up funds to counterbalance the increased mortgage cost.

Home value boost

Energy-efficient improvements can enhance a home's value. As sustainability becomes a priority for more homeowners, properties with greener features will likely be more appealing in the real estate market.

Environmental and comfort benefits

Reduced environmental impact

By investing in energy-efficient upgrades, homeowners directly contribute to lowering carbon emissions and preserving natural resources. This aligns with global efforts to combat climate change and foster a sustainable future.

Improved comfort

Many green improvements, like superior insulation and efficient heating systems,

can enhance indoor comfort by maintaining consistent temperatures and minimising drafts.

Government incentives

The UK government provides financial incentives like the Green Living Reward (GLR) to homeowners opting for green mortgages. This cashback reward offered by certain banks to qualifying mortgage customers who carry out eligible green home improvements can further decrease the overall cost of energy-efficient upgrades.

Eligibility for green mortgages

While green mortgages offer numerous benefits, potential applicants should consider their eligibility and financial circumstances. Lenders often require borrowers to undergo a home energy assessment to ascertain potential energy savings and verify the feasibility of the proposed upgrades. Additionally, borrowers should evaluate the projected energy savings against the upgrade cost to ensure the investment makes financial sense. ■

Want to discuss green mortgage options?

If you need additional information or have any queries about green mortgages, please get in touch with us. We're here to help you navigate the path towards sustainable home ownership. To learn more, please contact us.