is remarkably similar between the two groups (~$106/sq. ft.). As for the rest of the key variables, both treatments and control groups have similar characteristics.[14]

Energy Efficiency Associated with Lower Mortgage Risks

Overall, the findings are consistent with prior work and expectations (Table 2). In the baseline model, we examine the relationship between Energy Star rating and the mortgage risks (Table 3), i.e., when *C* is the indicator variable that represents whether a home has Energy Star certification. To further examine, the effect of relative efficiency on mortgage risks, we examine the subsample of Energy Star-certified houses for which we have a HERS rating (Table 4). In addition to the variables included in the baseline model, the HERS model incorporates additional variables that capture local energy use characteristics. These include cooling degree days, heating degree days, electricity price, and area of the house.

[Insert Table 2, 3 & 4 here]

Energy Star certification substantially and significantly reduces the default and prepayment risks (Table 4). The odds of a mortgage default on an Energy Star residence, *ceteris paribus,* are one-third less than those on a home in the control group. A mortgage on an Energy Star residence is also one-fourth less likely to be prepaid. With regard to whether the extent of energy efficiency matters (HERS rating), the findings are consistent with expectations (Table 4). Controlling for other factors, more efficiency, measured by a point decrease in the HERS score, is associated with a decrease in the risk of default by 4% and in that of prepayment by 2%. This suggests that mortgages on more efficient homes exhibit even lower

[14] To account for the distributional differences in age, we also restricted the sample to houses that were built in the last decade. The findings are similar in direction and significance as those presented here. Refer to the Appendix for findings when restricting the sample to post-2000 homes (Table 3B).