

Senator Paul Tsongas

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CONSERVATION FINANCING ACT OF 1979.

TITLE I HOMEOWNER CONSERVATION FINANCING PROGRAM

Background - Significant reductions in residential energy use are achievable through a variety of weatherizing measures which have resulted in savings of 50% or more with attendant energy savings of \$60 billion through 1990.

The single greatest obstacle to implementation of these measures has been the prohibitive cost to the homeowner of financing these improvements (average cost \$1500).

Proposal - The homeowner conservation financial program (HCFP) provides \$14 billion of conservation financing at a cost of \$4.9 billion to the federal government. The program is based on the most successful conservation retrofit program in the U.S., the Pacific Power and Light Program in Portland, Oregon. The salient feature of the PP & L program is that the principal payment on the loan is deferred. As a consequence, the homeowner pays only interest for the life of the loan. *note here*

HCRP provides for the establishment of non-profit energy finance corporations to offer deferred principle loans to homeowners to implement the conservation improvements identified by the utility energy audits mandated by Section 215 (b), Title II, or P.L. 95-619, the National Energy Conservation Act. The corporations would raise their capital by the public sale of bonds at then current market rates, a federal interest subsidy would be offered to homeowners to reduce their cost to a level insuring optimal market penetration, as determined by the Secretary of the Department of Housing and Urban Development.

The corporations would work closely with state residential conservation programs and have gubernatorial appointees on their boards. Having offered 20 year bonds for sale at market rates (currently 11-12%) the corporation would use the proceeds to issue loans to homeowners for conservation retrofit suggested by their energy audits. The cost of operation would add some 3-4% to the program (to be determined by Secretary of HUD). So an interest subsidy of 4-6% (as determined by the Secretary) would reduce the rate paid by the homeowner to 8-10%. The homeowner would be offered a twenty year loan at 8-10% secured by a mechanics lien on the property. During the first seven years (the national median for homeownership) no principle would be repaid. The principle would be amortized in years 8-20.

The homeowner would receive a description and application of the program as part of the provision of lending arrangements mandated by NECPA. Once the corporation has received the application for the loan, ascertained clear title to the property, and received a bill for measures indicated by the audit, and proof of satisfactory performance by a State certified NCS program contractor, it will pay the contractor. The homeowner will then be billed for interest only for seven years. If the house is sold in that time the loan will be fully discharged. If not, it will be amortized in years 8-20 of the loan.

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FY 1980
 Savings 80,000 bd (\$600 million)
 Federal outlay \$140 million
 (interest subsidy)
 Total \$ 2.8 billion
 Leverage 4.3:1
 Total savings/Federal outlay
 Federal outlays/bbl \$1.67

LIFE OF PROGRAM
 400,000 bd* (\$60 billion) X
 \$4.9 billion → *over 13 years*
 \$14 billion *leverage*
 12.24:1
 \$1.67

*assuming \$20/bbl cost of oil

140 YR 1
 280 2
 420 3
 560 4
 700 5
 700
 700
 560
 420
 280
 140

4,900,000

① Kennedy - \$790 per person
 \$38 billion
 ② Buckley - utilities - ①