

Calendar No. 391

96TH CONGRESS
1ST SESSION

S. 1748

[Report No. 96-372]

To authorize the Secretary of Housing and Urban Development to furnish assistance to encourage the use of energy conservation measures.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 13 (legislative day, JUNE 21), 1979

Mr. TSONGAS (for himself, Mr. WILLIAMS, and Mr. CRANSTON) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

OCTOBER 17 (legislative day, OCTOBER 15), 1979

Reported by Mr. TSONGAS, with an amendment

[Strike out all after the enacting clause and insert the part printed in *italic*]

A BILL

To authorize the Secretary of Housing and Urban Development to furnish assistance to encourage the use of energy conservation measures.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 ~~That this Act may be cited as the "Conservation Bank Act".~~

1

PURPOSE

2 SEC. 2. It is the purpose of this Act to encourage the
3 use of energy conservation measures, and thereby lessen the
4 Nation's dependence on foreign sources of energy supplies,
5 by establishing a Conservation Bank to provide subsidies for
6 below-market interest rate and principal-deferred loans made
7 to owners or builders of commercial and residential structures
8 for the purchase and installation of energy conservation
9 measures in such structures.

10

ESTABLISHMENT OF THE BANK

11

12 SEC. 3. (a) There is hereby created the Conservation
13 Bank which shall be in the Government National Mortgage
14 Association. The Conservation Bank shall have succession
15 until September 30, 1984.

16

17 (b) The General Accounting Office shall periodically
18 audit the financial transactions of the Conservation Bank,
19 and, for this purpose, shall have access to all of its books,
20 records, and accounts.

21

22 (c) The Conservation Bank may impose fees or charges
23 for its services which shall be deposited into the miscella-
24 neous receipts of the Treasury.

25

POWERS

26 SEC. 4. The Secretary of Housing and Urban Develop-
27 ment (HUD) shall have the power to fix different levels of
28 subsidies, not to exceed 6 per centum below the current

1 maximum interest rate permitted on a mortgage insured
2 under section 203(b) of the National Housing Act, on loans
3 subsidized by the Bank and the interest rate paid by borrow-
4 ers on such loans, and from time to time to alter the levels of
5 subsidy and interest rates for new loans subsidized by the
6 Bank. In doing so the Bank shall give consideration to such
7 factors as it shall deem appropriate, including, but not limited
8 to the following:

9 (1) the prevailing market rates of interest for
10 home mortgages, home improvement loans, and com-
11 mercial loans, as well as prevailing market rates of in-
12 terest for Government and corporate bonds;

13 (2) the availability of other Federal Government
14 incentives and subsidies for energy conservation equip-
15 ment, including Federal income tax credits;

16 (3) the costs of nonrenewable energy resources
17 and systems;

18 (4) the costs of energy conservation measures; and

19 (5) the levels of subsidy needed to induce consum-
20 ers and builders to install energy conservation meas-
21 ures in residential and commercial buildings.

22 SUBSIDY PAYMENTS

23 SEC. 5. (a)(1) The Conservation Bank shall, beginning
24 with fiscal year 1980, make payments to financial institutions
25 for the purpose of subsidizing below-market rate and princi-

1 pal-deferred loans which are made by such institutions to
2 owners of commercial and residential structures for the pur-
3 chase and installation of energy conservation measures in
4 such structures and which meet the requirements of this
5 section.

6 (2) For purposes of this Act, the term "energy conser-
7 vation measures" shall be defined as in section 210, subpart
8 (11), excluding subpart (11)(H), and section 391, subpart (2),
9 excluding subpart (2)(E) and (2)(F) of the National Energy
10 Conservation Policy Act.

11 (3) The amount of any payment made with respect to
12 any loan or qualifying portion of a loan shall be a lump-sum
13 payment and shall be in an amount necessary, as determined
14 by the Conservation Bank, to compensate the financial insti-
15 tution for the difference between making such loan at an in-
16 terest rate determined by the Secretary of HUD and the
17 yield it would have received if the loan were made at a
18 market rate and, in the case of a principal-deferred loan, the
19 difference between the borrower's interest payments during
20 the deferred period and the discounted value of these pay-
21 ments minus interest as if the principal were amortized over
22 the entire life of the loan. The Secretary of HUD shall set
23 the interest rate subsidy for principal-deferred loans so that
24 the cost to the Government National Mortgage Association of
25 providing just a loan subsidy equals the cost to the Govern-

1 ment National Mortgage Association of providing a subsidy
2 for a principal-deferred loan.

3 (4) The Conservation Bank may, with respect to any
4 loan for which a subsidy payment is made under this Act,
5 require the financial institution to repay the Conservation
6 Bank any amount to which the Conservation Bank is entitled
7 as a result of the borrower's failure to meet his or her obliga-
8 tion under the loan.

9 (b) A payment may be made under this section with
10 respect to a loan or qualifying portion of a loan only if—

11 (1) the term of repayment does not exceed fifteen
12 years and is not less than five years, except that there
13 shall be no penalty imposed on the borrower if the loan
14 or advance credit is repaid at any time before the term
15 of repayment expires;

16 (2) the amount of such loan allocable to purchase
17 and installation of energy conservation measure does
18 not exceed \$5,000 per unit in the case of any one- to
19 four-family residential structure, \$2,500 per unit in the
20 case of any residential structure with five or more
21 dwelling units (not to exceed \$250,000 per loan); and
22 \$200,000 in the case of any commercial structure;

23 (3) the security for the loan meets requirements of
24 Government National Mortgage Association; and

1 (4) the energy conservation measures to be fi-
2 nanced will be purchased and installed after the date of
3 enactment of this Act, except as provided in section 9.

4 (c) At least 75 per centum of the amount of subsidy
5 payments made under this section in any year shall be for the
6 purpose of assisting the financing of energy conservation
7 measures in residential structures.

8 PENALTIES

9 SEC. 6. Any person who knowingly makes any false
10 statement or misrepresents any material fact with respect to
11 any loan assisted under this Act shall be fined not more than
12 \$10,000 or imprisoned not more than one year, or both.

13 REPORT

14 SEC. 7. The Secretary of HUD shall report to both
15 Houses of Congress within nine months from the date of en-
16 actment, the market penetration of assistance provided by the
17 Conservation Bank. If market penetration is less than that
18 necessary to expend the funds provided in the Act, the Secre-
19 tary shall recommend alternative financial delivery systems
20 including the involvement of nonprofit energy conservation
21 and development finance corporations dedicated to the pur-
22 poses of the Act. The report shall also include a detailed
23 accounting of the activities of the Conservation Bank.

1 PROMOTION AND COORDINATION

2 SEC. 8. The Secretary of HUD and the Government
3 National Mortgage Association shall promote the program
4 established by this Act by informing financial institutions and
5 consumers of the benefits of such program and by actively
6 seeking their participation in the program. The Secretary of
7 HUD shall also assure effective coordination with promotion
8 and assistance programs in the Department of Energy.

9 RETROACTIVITY

10 SEC. 9. Consumers who have borrowed money from a
11 financial institution for the purchase and installation of
12 energy conservation measures after September 13, 1979,
13 shall be eligible for assistance by the Conservation Bank if
14 the original loan is refinanced after the date of enactment of
15 this Act.

16 RULES

17 SEC. 10. The Secretary of HUD may issue rules to
18 insure the quality and effectiveness of the conservation meas-
19 ures subsidized under this Act.

20 ~~LOW- AND MODERATE-INCOME HOUSING~~

21 SEC. 11. The Government National Mortgage Associ-
22 ation shall implement the authority provided under section
23 242 of the National Energy Conservation Policy Act and
24 shall coordinate the program under section 242 with the
25 Conservation Bank.

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FUNDING

2

SEC. 12. There are authorized to be appropriated to
3 carry out the purposes of this Act not to exceed
4 \$150,000,000 for fiscal year ending September 30, 1980,
5 \$850,000,000 for fiscal year ending September 30, 1981,
6 \$1,700,000,000 for the fiscal year ending September 30,
7 1982, \$1,700,000,000 for the fiscal year ending September
8 30, 1983, and \$1,700,000,000 for the fiscal year ending
9 September 30, 1984.

10

SHORT TITLE

11

SECTION 1. This Act may be cited as the "Conserva-
12 tion Bank Act".

13

PURPOSE

14

SEC. 2. It is the purpose of this Act to encourage the
15 use of energy conservation measures, and thereby reduce the
16 Nation's dependence on foreign sources of energy supplies, by
17 establishing a Conservation Bank to provide subsidies for
18 below-market interest rate loans made to owners of commer-
19 cial and residential structures for the purchase and installa-
20 tion of energy conservation measures in such structures.

21

ESTABLISHMENT OF THE BANK

22

SEC. 3. (a) There is established a Conservation Bank
23 (hereinafter referred to as the "Bank") which shall be in the
24 Government National Mortgage Association. The Conserva-
25 tion Bank shall have succession until September 30, 1984.

1 (b) *The General Accounting Office shall periodically*
2 *audit the financial transactions of the Conservation Bank,*
3 *and, for this purpose, shall have access to all of its books,*
4 *records, and accounts.*

5 (c) *The Conservation Bank may impose fees or charges*
6 *for its services which shall be deposited into the miscella-*
7 *neous receipts of the Treasury.*

8 *POWERS*

9 *SEC. 4. The Secretary of Housing and Urban Develop-*
10 *ment (hereinafter referred to as the "Secretary") shall have*
11 *the power to fix different levels of subsidy on loans subsi-*
12 *dized by the Bank and the interest rates paid by borrowers*
13 *on such loans, but not lower than 6 percentage points below*
14 *the maximum interest rate permitted on a mortgage insured*
15 *under section 203(b) of the National Housing Act, and from*
16 *time to time to alter the levels of subsidy and interest rates*
17 *for new loans subsidized by the Bank. In doing so, the Secre-*
18 *tary shall give consideration to such factors as he shall deem*
19 *appropriate, including, but not limited to—*

20 (1) *the prevailing market rates of interest for*
21 *home mortgages, home improvement loans, and com-*
22 *mercial loans, as well as prevailing market rates of in-*
23 *terest for Government and corporate bonds;*

1 (2) the availability of other Federal Government
2 incentives and subsidies for energy conservation equip-
3 ment, including Federal income tax credits;

4 (3) the costs of nonrenewable energy resources
5 and systems;

6 (4) the costs of energy conservation measures; and

7 (5) the levels of subsidy needed to induce consum-
8 ers to install energy conservation measures in residen-
9 tial and commercial buildings.

10 *SUBSIDY PAYMENTS*

11 *SEC. 5. (a)(1) The Conservation Bank shall, beginning*
12 *with fiscal year 1980, make payments to financial institu-*
13 *tions for the purpose of subsidizing below-market-rate loans*
14 *which are made by such institutions to owners of commercial*
15 *and residential structures for the purchase and installation of*
16 *energy conservation measures in such structures and which*
17 *meet the requirements of this section. The repayment sched-*
18 *ule for such loans may be graduated pursuant to regulations*
19 *issued by the Secretary.*

20 (2) For the purpose of this Act, the term "energy conser-
21 vation measures" shall be defined as in section 210(11) (A)
22 through (G) and (I) of the National Energy Conservation
23 Policy Act and section 391(2) (other than subparagraphs (E)
24 and (F)) of the Energy Policy and Conservation Act.

25 *tion Bank shall have possession until September 30, 1984.*

1 (3) *The amount of any payment made with respect to*
2 *any loan or qualifying portion of a loan shall be a lump-sum*
3 *payment and shall be in an amount necessary, as determined*
4 *by the Secretary, to compensate the financial institution for*
5 *the difference between making such loan at an interest rate*
6 *determined by the Secretary and the yield it would have re-*
7 *ceived if the loan were made at a market rate. The Secretary*
8 *shall set the interest rates for graduated-payment loans so*
9 *that the cost to the Government National Mortgage Associ-*
10 *ation of providing a subsidy for a level payment loan equals*
11 *the cost to the Government National Mortgage Association of*
12 *providing a subsidy for a graduated-payment loan.*

13 (4) *The Conservation Bank may, with respect to any*
14 *loan for which a subsidy payment is made under this Act,*
15 *require the financial institution to repay the Conservation*
16 *Bank any amount to which the Conservation Bank is enti-*
17 *tled as a result of the borrower's failure to meet his or her*
18 *obligation under the loan.*

19 (b) *A payment may be made under this section with*
20 *respect to a loan or qualifying portion of a loan only if—*

21 (1) *the term of repayment does not exceed fifteen*
22 *years and is not less than five years, except that there*
23 *shall be no penalty imposed on the borrower if the loan*
24 *or advance credit is repaid at any time before the term*
25 *of repayment expires;*

1 (2) the amount of such loan allocable to purchase
2 and installation of energy conservation measures does
3 not exceed \$5,000 per unit in the case of any one- to
4 four-family residential structure, \$2,500 per unit in
5 the case of any residential structure with five or more
6 dwelling units (not to exceed \$250,000 per loan), and
7 \$200,000 in the case of any commercial structure;

8 (3) the security for the loan meets the require-
9 ments of the Government National Mortgage Associ-
10 ation; and

11 (4) the energy conservation measures to be fi-
12 nanced will be purchased and installed after the date of
13 enactment of this Act, except as provided in section
14 409.

15 (c) At least 75 per centum of the amount of subsidy
16 payments made under this section in any year shall be for
17 the purpose of assisting the financing of energy conservation
18 measures in residential structures.

19 PENALTIES

20 SEC. 6. Any person who knowingly makes any false
21 statement or misrepresents any material fact with respect to
22 any loan assisted under this Act shall be fined not more than
23 \$10,000 or imprisoned not more than one year, or both.

REPORT

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2 *SEC. 7. The Secretary shall report to both Houses of*
3 *Congress within nine months after the date of enactment of*
4 *this Act, the market penetration of assistance provided by the*
5 *Conservation Bank. If market penetration is less than that*
6 *necessary to expend the funds provided in this Act, the Secre-*
7 *tary shall recommend alternative financial delivery systems*
8 *including the involvement of nonprofit energy conservation*
9 *and development finance corporations dedicated to the pur-*
10 *poses of the Act. The report shall also include a detailed ac-*
11 *counting of the activities of the Conservation Bank.*

12 PROMOTION AND COORDINATION

13 *SEC. 8. The Secretary and the Government National*
14 *Mortgage Association shall promote the program established*
15 *by this Act by informing financial institutions and consum-*
16 *ers of the benefits of such program and by actively seeking*
17 *their participation in the program. The Secretary shall also*
18 *assure effective coordination with promotion and assistance*
19 *programs in the Department of Energy.*

20

RETROACTIVITY

21 *SEC. 9. Consumers who borrowed money from a finan-*
22 *cial institution for the purchase and installation of energy*
23 *conservation measures after September 13, 1979, shall be*
24 *eligible for assistance by the Conservation Bank if such loan*
25 *is refinanced after the date of enactment of this Act.*

RULES

1
2 *SEC. 10. The Secretary may issue rules to insure the*
3 *quality and effectiveness of the conservation measures subsi-*
4 *dized under this Act.*

LOW- AND MODERATE-INCOME HOUSING

5
6 *SEC. 11. The Government National Mortgage Associ-*
7 *ation shall implement the authority provided under section*
8 *242 of the National Energy Conservation Policy Act and*
9 *shall coordinate the program under such section with the*
10 *Conservation Bank.*

FUNDING

11
12 *SEC. 12. There are authorized to be appropriated to*
13 *carry out the purposes of this Act not to exceed \$150,000,000*
14 *for the fiscal year ending September 30, 1980, \$850,000,000*
15 *for the fiscal year ending September 30, 1981,*
16 *\$1,700,000,000 for the fiscal year ending September 30,*
17 *1982, \$1,700,000,000 for the fiscal year ending September*
18 *30, 1983, and \$1,700,000,000 for the fiscal year ending*
19 *September 30, 1984.*

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