

96TH CONGRESS  
1ST SESSION

# S. 1748

To establish a Conservation Bank to help make available below-market interest rate and principal-deferred loans for the purchase and installation of energy conservation measures in residential and commercial buildings.

## 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

## A BILL

To establish a Conservation Bank to help make available below-market interest rate and principal-deferred loans for the purchase and installation of energy conservation measures in residential and commercial buildings.

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".

4 PURPOSE

5 SEC. 2. It is the purpose of this Act to encourage the  
6 use of energy conservation measures, and thereby lessen the  
7 Nation's dependence on foreign sources of energy supplies,

1 by establishing a Conservation Bank to provide subsidies for  
 2 below-market interest rate and principal-deferred loans made  
 3 to owners or builders of commercial and residential structures  
 4 for the purchase and installation of energy conservation  
 5 measures in such structures.

## 6 ESTABLISHMENT OF THE BANK

7 SEC. 3. (a) There is hereby created the Conservation  
 8 Bank which shall be in the Government National Mortgage  
 9 Association. The Conservation Bank shall have succession  
 10 until September 30, 1984.

11 (b) The General Accounting Office shall periodically  
 12 audit the financial transactions of the Conservation Bank,  
 13 and, for this purpose, shall have access to all of its books,  
 14 records, and accounts.

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

## 18 POWERS

19 SEC. 4. The Secretary of Housing and Urban Develop-  
 20 ment (HUD) shall have the power to fix different levels of  
 21 subsidies, not to exceed 6 per centum below the current  
 22 maximum interest rate permitted on a mortgage insured  
 23 under section 203(b) of the National Housing Act, on loans  
 24 subsidized by the Bank and the interest rate paid by borrow-  
 25 ers on such loans, and from time to time to alter the levels of

1 subsidy and interest rates for new loans subsidized by the  
2 Bank. In doing so the Bank shall give consideration to such  
3 factors as it shall deem appropriate, including, but not limited  
4 to the following:

5 (1) the prevailing market rates of interest for  
6 home mortgages, home improvement loans, and com-  
7 mercial loans, as well as prevailing market rates of in-  
8 terest for Government and corporate bonds;

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

12 (3) the costs of nonrenewable energy resources  
13 and systems;

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

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

#### 18 SUBSIDY PAYMENTS

19 SEC. 5. (a)(1) The Conservation Bank shall, beginning  
20 with fiscal year 1980, make payments to financial institutions  
21 for the purpose of subsidizing below-market rate and princi-  
22 pal-deferred loans which are made by such institutions to  
23 owners of commercial and residential structures for the pur-  
24 chase and installation of energy conservation measures in



1 such structures and which meet the requirements of this  
2 section.

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

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

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

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

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

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

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

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

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

5

#### PENALTIES

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

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#### REPORT

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

21

#### PROMOTION AND COORDINATION

22 SEC. 8. The Secretary of HUD and the Government  
23 National Mortgage Association shall promote the program  
24 established by this Act by informing financial institutions and  
25 consumers of the benefits of such program and by actively



1 seeking their participation in the program. The Secretary of  
2 HUD shall also assure effective coordination with promotion  
3 and assistance programs in the Department of Energy.

#### 4 RETROACTIVITY

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

#### 11 RULES

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

#### 15 LOW- AND MODERATE-INCOME HOUSING

16 SEC. 11. The Government National Mortgage Associ-  
17 ation shall implement the authority provided under section  
18 242 of the National Energy Conservation Policy Act and  
19 shall coordinate the program under section 242 with the  
20 Conservation Bank.

#### 21 FUNDING

22 SEC. 12. There are authorized to be appropriated to  
23 carry out the purposes of this Act not to exceed  
24 \$150,000,000 for fiscal year ending September 30, 1980,  
25 \$850,000,000 for fiscal year ending September 30, 1981,

- 1 \$1,700,000,000 for the fiscal year ending September 30,
- 2 1982, \$1,700,000,000 for the fiscal year ending September
- 3 30, 1983, and \$1,700,000,000 for the fiscal year ending
- 4 September 30, 1984.

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