

Expedited Bill No. 06-09
Concerning: Home Energy Loan
Program - Establishment
Revised: 4/14/2009 Draft No. 8
Introduced: February 24, 2009
Expires: August 24, 2010
Enacted: April 14, 2009
Executive: _____
Effective: _____
Sunset Date: _____
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

By: Councilmembers Berliner, Elrich, Ervin, Trachtenberg, Floreen, and Leventhal

AN EXPEDITED ACT to:

- (1) establish a Home Energy Loan Program to assist single-family homeowners to make an energy efficiency improvement or install a renewable energy device;
- (2) establish a revolving loan fund to provide homeowners loans under the Program;
and
- (3) generally amend the environmental sustainability law.

By adding

Montgomery County Code
Chapter 18A, Environmental Sustainability
Article 4, Home Energy Loan Program

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

The County Council for Montgomery County, Maryland approves the following Act:

1 **Sec. 1. Chapter 18A, Article 4 is added as follows:**

2 **Chapter 18A. Environmental Sustainability**

3 * * *

4 **Article 4. Home Energy Loan Program**

5 **18A-24. Definitions.**

6 In this Article, except as provided in Section 18A-30, the following words
7 have the meanings indicated:

8 *Certified energy auditor* means any individual who:

9 (a) is a participating contractor/auditor with the Maryland Home
10 Performance with ENERGY STAR Program; or

11 (b) meets other equivalent requirements approved by the Director.

12 *Cost effective* means the maximum estimated amount of time it takes for an
13 energy efficiency improvement to pay for itself through reduced energy costs
14 (the “payback” period), as determined by the Department.

15 *Department* means the Department of Environmental Protection.

16 *Director* means the Director of the Department or the Director’s designee.

17 *Eligible cost* means the net cost of buying or installing an energy efficiency
18 improvement or renewable energy device, including any part, component, or
19 accessory necessary to operate the improvement or device, less any amount
20 received from a public or private program because the improvement or device
21 is or will be made or installed.

22 *Energy efficiency improvement* means a permanent improvement made to an
23 existing single-family home that:

24 (a) reduces the consumption of energy in the home, including:

25 (1) caulking and weatherstripping doors and windows;

26 (2) heating and cooling system efficiency modifications, including:

- 27 (A) replacing a burner, furnace, heat pump, or boiler, or air
28 conditioner with a high efficiency model;
- 29 (B) a device to modify flue openings that increases the energy
30 efficiency of the heating system;
- 31 (C) any electrical or mechanical furnace ignition system which
32 replaces a standing gas pilot light; and
- 33 (D) any tune-up that increases the operating efficiency;
- 34 (3) a programmable thermostat;
- 35 (4) ceiling, attic, wall, or floor insulation;
- 36 (5) whole house air sealing;
- 37 (6) water heater tune-up, water heater insulation, pipe insulation, or
38 [[charge-out]] change out to ENERGY STAR qualified water
39 heater;
- 40 (7) storm windows or doors or ENERGY STAR qualified window or
41 door replacement;
- 42 (8) air distribution system improvements, including duct insulation
43 and air sealing;
- 44 (9) any device which controls demand of appliances and aids load
45 management; and
- 46 (10) any other conservation device, renewable energy technology, and
47 specific home improvement that the Director finds reduces the
48 consumption of energy in the home; and
- 49 (b) meets safety and performance standards set by a nationally recognized
50 testing laboratory for that kind of device, if these standards are
51 available.

52 Energy efficiency improvement does not include a standard household
53 appliance, such as a washing machine or clothes dryer.

54 ENERGY STAR rating means the ENERGY STAR rating developed by the
 55 federal Environmental Protection Agency which rates a product's energy
 56 efficiency.

57 Home energy audit means an evaluation of the energy efficiency of a home
 58 which includes any test or diagnostic measurement that the Department finds
 59 necessary to:

60 (a) assure that a home's energy efficiency is accurately measured; and

61 (b) identify cost effective steps that can be taken to improve a home's
 62 energy efficiency.

63 Home Energy Loan Fund or Fund means the revolving loan fund established
 64 under Section 18A-30 to provide funding for the Home Energy Loan Program.

65 Home Energy Loan Program or Program means the program that provides
 66 zero or low interest loans to install an energy efficiency improvement or
 67 renewable energy device.

68 Home Energy Rating System or HERS means the energy efficiency rating
 69 system for residential buildings developed by the Residential Energy Services
 70 Network.

71 Low interest loan means a loan with an interest rate below prevailing rates for
 72 residential home improvement loans, and which reflects:

73 (a) the County's current cost of borrowing funds or the cost, if any, of
 74 federal funds made available to the County for this purpose; and

75 (b) the cost of administering the Program.

76 Renewable energy means the following energy sources or technology:

77 (a) solar;

78 (b) wind;

79 (c) geothermal; and

80 (d) any other energy source or technology which the Director finds is
 81 derived from natural processes that do not involve the consumption of
 82 exhaustible resources.

83 Renewable energy device means a device that:

- 84 (a) creates, converts, or actively uses renewable energy;
- 85 (b) is permanently installed on the home or property; and
- 86 (c) meets safety and performance standards set by a nationally recognized
 87 testing laboratory for that kind of device, if these standards are
 88 available.

89 Single-family home means a single-family detached or attached residential
 90 building. A single-family home includes a condominium.

91 **18A-25. Established; purpose.**

92 The Director must create and administer a Home Energy Loan Program to:

- 93 (a) improve energy efficiency;
- 94 (b) promote energy conservation;
- 95 (c) reduce greenhouse gas emissions; and
- 96 (d) reduce consumption of fossil fuels by County residents[.]; and
- 97 (e) create jobs.

98 **18A-26. Eligibility; use of funds.**

99 (a) The Director may loan funds to an owner of a single-family home to
 100 fund eligible costs to make an energy efficiency improvement that is
 101 projected to be cost effective or install a renewable energy device in the
 102 single-family home, up to the maximum loan amount set by regulation.

103 (b) To be eligible for a loan under this Program, a property owner must:
 104 (1) have a home energy audit performed on the owner's single-
 105 family home by a certified energy auditor, as required under
 106 Section 18A-27; and

- 107 (2) have the energy efficiency improvement completed or renewable
108 energy device installed [[within 6 months after receiving the
109 loan]] in the timeframe set by regulation; and
- 110 (3) agree to repay the loan amount borrowed through the County tax
111 bill for that home, as required by Section 18A-28.
- 112 (c) The Department of Permitting Services must certify that the
113 improvement or device for which the funds were loaned has been
114 properly installed. The Department must accept a certification by
115 another government agency, including a municipality, that the
116 improvement or device has been [[property]] properly installed. The
117 County Executive may assign the responsibility under this subsection to
118 another entity, including a third party. However, the entity responsible
119 for certifying that the improvement or device has been properly installed
120 must not be the entity that installed the improvement or device.
- 121 (d) The term of the loan must be 15 years[[,]] [[unless]]. However, the
122 Director [[sets a different]] may set a longer loan term by regulation.
- 123 (e) Use of funds for an energy efficiency improvement.
- 124 (1) A person may borrow funds for eligible costs to make an energy
125 efficiency improvement, less any amount received from a public
126 or private program because the improvement is or will be made.
- 127 (2) Except as provided by subsection [[f(2)]] (e)(3), funds must be
128 loaned only for an energy efficiency improvement that is
129 projected to be cost effective.
- 130 (3) Funds may be loaned for an energy efficiency improvement that
131 is not cost effective if that improvement is part of a package of
132 improvements financed under the Program that cumulatively is
133 cost effective.

- 134 (f) Use of funds for a renewable energy device.
- 135 (1) [[A]] Except as provided in (f)(2), a person may borrow funds for
- 136 eligible costs to install a renewable energy device only if[[:
- 137 (A) the single-family home has a HERS score of 100 or below;
- 138 or
- 139 (B) the owner has a home energy audit performed on the
- 140 owner's home and, based on the audit recommendations,
- 141 makes energy efficiency improvements that result in a 30
- 142 percent increase in efficiency]] the single-family home
- 143 meets energy efficiency criteria established by the
- 144 Department.
- 145 (2) A person may borrow funds to install a renewable energy device
- 146 on a single-family home that does not meet the energy efficiency
- 147 criteria in (f)(1) if the device is cost effective.
- 148 (3) A person may borrow funds for eligible costs to install a
- 149 renewable energy device, less any amount received from a public
- 150 or private program because the device is or will be installed.
- 151 [[(3) A person must not borrow funds to install a renewable energy
- 152 device if that person receives a property tax credit for renewable
- 153 energy devices under Section 52-18R.]]

154 **18A-27. Home energy audit.**

- 155 (a) An applicant for a loan under this Program must have and submit to the
- 156 County a home energy audit performed on the owner's home by a
- 157 certified energy auditor.
- 158 (b) The auditor must prepare a written report that:
- 159 (1) contains findings and recommendations to improve the home's
- 160 energy efficiency;

161 (2) identifies those cost effective energy efficiency improvements
162 which would generate projected annual energy cost savings,
163 based on projected energy costs set by Method (3) regulation, that
164 are equal to or more than the estimated cost of the improvements
165 to be financed under the County Program when the cost of the
166 improvements are amortized over 15 years; and

167 (3) identifies any public or private financing mechanisms known to
168 the auditor that could be used to implement energy efficiency
169 improvements.

170 (c) The cost of the audit may be included in the amount of the loan.

171 **18A-28. Repayment of funds; lien.**

172 (a) The owner of single-family home must agree to repay the loan amount
173 borrowed, amortized over 15 years, through the County property tax bill
174 for that home.

175 (b) If the owner of the single-family home sells the home, the seller must
176 disclose that the buyer must continue to repay the loan through the
177 property tax bill.

178 (c) The loan amount and any accrued interest constitute a first lien on the
179 real property to which the loan applies until paid. The loan amount and
180 accrued interest are collectable by suit or tax sale like all other real
181 property taxes, to the extent allowed by State law. [[In the event of a
182 failure to]] If the property owner does not pay the loan and accrued
183 interest as required, the property may be certified to the Department of
184 Finance and the lien may be sold at the tax sale conducted by the
185 County. [[The deferred fees constitute a personal liability of the owner
186 of the property.]]

187 **18A-29. Regulations.**

188 The Executive must adopt regulations under Method (2) to administer the
 189 Program, including:

- 190 (a) lending standards and priorities;
 191 (b) minimum and maximum loan amounts;
 192 (c) interest rates, terms, and conditions;
 193 (d) application procedures, including necessary supporting documentation;
 194 (e) criteria for adequate security;
 195 (f) procedures to refer applicants to other sources of funds, and to
 196 cooperate with other public and private sources of funds;
 197 (g) procedures to ask the Director to reconsider any denial of a loan or any
 198 decision on interest rates, terms, and conditions;
 199 (h) procedures for nonpayment or default;
 200 (i) procedures and requirements for post-installation inspection; [[and]]
 201 (j) disclosure requirements for real estate transactions[.]; and
 202 (k) criteria for loan disbursement.

203 **18A-30. Revolving loan fund.**

204 (1) Definitions. In this Section, the following words have the meanings
 205 indicated:

206 Department means the Department of Finance.

207 Revolving loan fund or Fund means the special, nonlapsing fund to
 208 finance the Home Energy Loan Program established under this Article.

209 (b) The Fund consists of:

- 210 (1) money appropriated in the County budget for the Program;
 211 (2) money received from any public or private source;
 212 (3) interest and investment earnings on the Fund;

213 (4) repayments and prepayments of principal and interest on loans
 214 made from the Fund; and

215 (5) any other available funds to support the Program.

216 (c) The Department must:

217 (1) disburse funds and collect payments for a loan made under the
 218 Program; and

219 (2) maintain loan records and provide an annual report to the
 220 Department of Environmental Protection.

221 **18A-31. Annual report.**

222 Each August 15, the Director must submit a report to the County Executive
 223 and County Council that identifies;

224 (a) the number of recipients of loans;

225 (b) the amount of funds loaned; and

226 (c) any activities during the previous fiscal year to market the Program.

227 **18A-32. Third party contract.**

228 (a) The County may contract with a non-profit or for-profit organization to
 229 take any action necessary to fulfill the purposes of this Article,
 230 including:

231 (1) prepare and review, evaluate, and approve applications;

232 (2) execute loan agreements;

233 (3) secure and service loans;

234 (4) collect loan payments; and

235 (5) conduct collections for defaulted loans.

236 (b) The County, or a contractor for the County, may charge an applicant or
 237 borrower usual and customary fees that the Department finds is
 238 consistent with the overall goals of the Program and will not inhibit
 239 utilization of the Program, including:

- 240 (1) application fees;
 241 (2) loan origination fees;
 242 (3) delinquency fees;
 243 (4) costs of collection; and
 244 (5) other program fees to support verification of program
 245 requirements.

246 **Sec. 2. Initial regulations; repayment options; audit cost.**

247 (a) [[The]] Unless the Council grants an extension, the County Executive
 248 must adopt and submit to the County Council, not later than (date [[3]] 6
 249 months after enactment of bill), regulations to implement Article 4 of
 250 Chapter 18A, as added by Section 1 of this Act.

251 (b) Within 6 months, the Executive must:

- 252 (1) report to the Council if the Executive believes that the repayment
 253 provisions of §18A-28 are likely to unduly burden the lending
 254 industry or hinder homeowners from obtaining financing to
 255 refinance or purchase a home; and
 256 (2) provide alternative recommendations, if appropriate, that would
 257 achieve the policy objective of assuring that the remaining loan
 258 payments will be assumed by the buyer of a property.

259 (c) Within 6 months, the Executive must:

- 260 (1) report to the Council on whether the cost of the home energy
 261 audit required under §18A-27 is likely to be a significant barrier
 262 to participation in the Program; and
 263 (2) provide recommendations to address any barrier that the
 264 Executive identifies.

265 **Sec. 3. Expedited Effective Date.**

266 The Council declares that this legislation is necessary for the immediate
267 protection of the public interest. This Act takes effect on the date on which it
268 becomes law.

269 *Approved:*

270

Philip M. Andrews, President, County Council

Date

271 *Approved:*

272

Isiah Leggett, County Executive

Date

273 *This is a correct copy of Council action.*

274

Linda M. Lauer, Clerk of the Council

Date