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Energy Conservation Loan Program

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Sec. 32-317-1. Definitions

Whenever used in sections 32-317-1 to 32-317-9, inclusive, of these regulations:

(1) ‘‘Adjusted Gross Income’’ means the total of all the adjusted gross income for federal income tax purposes of all family members residing in the dwelling unit.

(2) ‘‘Alternative Energy Device’’ means a wood-burning stove for space heating and any system or mechanism which uses wood, solar radiation, wind, water or geothermal resources as a source for space heating, water heating, cooling or generation of electrical energy.

(3) ‘‘Commissioner’’ means the Commissioner of Economic and Community Development.

(4) ‘‘Cost Effective’’ means the energy conservation measure that was made should cause a reduction in energy loss and provide a savings over time equivalent to the loan amount borrowed to make the improvement.

(5) ‘‘Countable Obligation’’ means the amount and source of additional income or debt which can be added or subtracted to the applicants total funds for qualification purposes.

(6) ‘‘Department’’ means the Department of Economic and Community Development.

(7) ‘‘Eligible person’’ means any resident of the State of Connecticut holding title to real property in Connecticut which consists of a residential property.

(8) ‘‘Energy Conservation Revolving Loan Account’’ means the account established and used to make loans or loan guarantees authorized by sections 32-315 to 32-318, inclusive, of the General Statutes and for expenses incurred by the Commissioner in the implementation of the program of loans and loan guarantees established by sections 32-315 to 32-318, inclusive, of the General Statutes.

(9) ‘‘Family’’ means one of more persons residing in the same household.

(10) ‘‘Gross Income’’ means the aggregate annual income of all family members residing in the dwelling unit from all sources, before any deductions.

(11) ‘‘Interest Rate Subsidy Payment’’ means the annual payment made by electric and gas companies which is used to subsidize the interest rates charged on loans extended under the Energy Conservation Loan Program.

(12) ‘‘Liberalized Underwriting (LU)’’ means a method that is used to qualify an applicant which exceeds the 39% Debt/Income Ratio and is at or below 115% median income level established and can show an energy savings of at least 10% due to and after the energy improvement has been made.

(13) ‘‘Loan’’ means monies provided from the Energy Conservation Revolving Loan Account to an eligible person for the purchase and installation of insulation, alternative energy devices, energy conservation materials, and replacement furnaces and boilers; or in certain electrically heated structures, for the purchase of a secondary heating system using a source of heat other than electricity, or for the conversion of a primary electric heating system using a source of heat other than electricity.

(14) ‘‘Loan Guarantee’’ means an agreement by the Department to guarantee a loan made by a private institution for purposes, terms and limits as covered in these regulations.

(15) ‘‘Normalized Savings’’ means the savings from the energy conservation measure that will result from reducing the heat loss and the excess use of oil, gas or any other fuel source used by the applicant to a normal level of usage. Normal usage is the average usage of fuel in a residential or multi-family dwelling of a

similar size with the same number of units and/or an equal number of square feet per unit.

(16) ''Primary Heating System'' means a heating system which will satisfy all heating requirements of a dwelling unit in a residential structure.

(17) ''Residential Structure'' means any building in which at least two-thirds of the usable square footage is used for dwelling purposes and contains a maximum of four (4) dwelling units; a ''Multi-Family Residential Structure'' shall contain more than four (4) dwelling units.

(18) ''Secondary Heating System'' means a heating system which will satisfy only a portion of the heating requirements of a residential structure or of a dwelling used in a residential structure.

(Effective June 11, 1996)

Sec. 32-317-2. Loans for residential structures with not more than four dwelling units

(a) **Income Limit.** All eligible persons shall submit evidence, satisfactory to the Commissioner, that their adjusted gross income is not in excess of the amount established as the income limit in section 32-317-2 (e) (3) and (4) of these regulations.

(b) **Loan Limits.** The loan shall not be less than four hundred dollars ($400) and not more than six thousand dollars ($6,000) per structure.

(c) **Term.** The term of the loan shall not exceed ten years.

(d) **Interest rates.** The State Bond Commission shall establish a range of rates of interest payable on all loans for residential structures containing not more than four dwelling units as established by section 32-317(b) of the General Statutes. The range shall be applied to applicants in accordance with a formula which reflects their income.

(e) **Underwriting.** All eligible persons shall meet the following underwriting criteria:

(1) Income/Debt Ratio. Not more than thirty-nine percent (39%) of gross income shall be applied to payments of the first mortgage, taxes, homeowners insurance and all countable obligations (debt), including the Energy Conservation Loan.

(2) Saving/Payment Ratio. Eligible persons whose adjusted gross income is no more than 115% of median area income adjusted for family size, as determined from time to time by the U.S. Department of Housing and Urban Development, and who do not qualify for a loan under subdivision (1) above may qualify if the energy conservation improvements financed by this loan result in net savings, as projected by a technical energy audit performed according to standards set in regulations adopted by the secretary of policy and management under section 16a-14 of the General Statutes, is at least ten (10%) greater than the energy loan monthly payment. In case of multiple improvements, the net savings is the sum of the normalized savings from individual measures as projected by a technical energy audit performed according to standards set in regulations adopted by the secretary of policy and management under section 16a-14 of the General Statutes. In the case of an inoperable heating system, the Energy Conservation improvement shall be considered cost effective when determining the net savings.

(3) Income.

(A) Eligible person(s) shall identify and verify the amount and source of all income, including that from primary and/or other employment, that is necessary to meet the debt-to-income ratio.

(B) Primary Employment.

(i) The commissioner shall require the eligible person(s) to provide verification of current employment and copies of federal income tax returns as filed with the Internal Revenue Service.

(ii) Overtime income shall be verified as likely to continue by using: year to date earnings; proof of continuous history of overtime working for the same company and department; and last year's overtime income.

(iii) Self-employed eligible person(s) shall submit a profit and loss statement prepared by a CPA or a qualified accountant showing a minimum of one year in business as indicated on the federal income tax return; a copy of the tax return is to be provided with the loan application. Only net business income will be counted.

(iv) Bonuses or commissions shall have been received for the past two years and from the applicants present employer. An average of the last two years generally shall be used.

(C) Income from second jobs may be counted if verified as permanent and likely to continue. The commissioner may accept new second job income if verified as permanent and the eligible person has had a verifiable second job in the recent past.

(D) Income shall include alimony, child support or child maintenance payment, (receipts) only to the extent that they are likely to be received consistently. Factors to be considered in determining the likelihood of consistent payments include, but are not limited to: whether payments are received pursuant to a written agreement or court decree; the length of time payments have been received; regularity of payment; availability of procedures to compel payment; whether full or partial payments have been made; the age of any child for whom child support is to be paid; and the credit worthiness of the obligor, including the credit history of the obligee where available.

(E) Social Security payments and pensions shall be verified.

(F) Income from Rents.

(i) One hundred percent (100%) of rental income shall be added to the eligible person's gross income where the residential dwelling is owner occupied. Proof of rental income will be in the form of federal income tax returns and/or copies of canceled checks for a minimum of six months and a copy of the tenant's lease

(ii) Net rental income shall be used for investment properties. Such properties shall have been owned for a minimum of one year with at least six months reflected on the investment rental analysis of the federal income tax return (Schedule E).

(G) Interest and dividends may be counted and verified from the applicant's tax return from the last two years and is likely to continue at a similar amount.

(4) Countable Obligation. Countable obligations shall include, but are not limited to:

(A) All installment debts and credit union loans with ten or more months remaining from date of closing and all monthly interest charged on demand notes;

(B) Five percent (5%) of the balance of all revolving credit per month;

(C) Court-ordered alimony, child support or maintenance payments;

(D) Condominium fees and other association assessments.

(5) Credit requirement and grounds for rejection:

(A) All applications for loans shall be accompanied by a written credit report obtained not more than six months prior to the date of application.

(B) Written explanation for previous poor credit, bankruptcies, delinquencies, collections, and /or creditor write-offs shall be included with the loan application.

(C) Grounds for rejection of any application shall include, but are not limited to situations where an eligible applicant: (i) has a history of continued payment delinquencies in the year prior to the date of application; (ii) had an account in collections in the year prior to application; (iii) had an account written off to profit and loss, bankruptcy or creditor write-off within the past four (4) years; (iv) and has not reestablished good credit and/or a good credit report within the past two (2) years; or (v) has property taxes and/or assessments which are not current with city, town or state government.

(f) **Loan Security.** Pursuant to sections 32-315 to 32-318, inclusive, of the General Statutes, the State shall have a lien on each property for which a loan has been made in order to ensure compliance with the terms and conditions of such loan.

(g) **Condominium and/or Co-op - type home ownership** shall require the approval and permission from its association/governing board to make any exterior and/or interior improvements; a copy of the governing board's resolution and authorization shall be included with each application.

(Effective June 11, 1996)

Sec. 32-317-3. Loans and loan guarantees for residential structures of more than four dwelling units (Multi-family residential structure)

(a) **Income Limits.** There shall be no income limit for eligible persons under this section. The Commissioner shall, however, give preference, through reduced interest rates or other means, to applications for loans for structures which are occupied by persons of low or moderate income. Standards for low or moderate income shall be established by the Commissioner. The Commissioner shall consider, but not be limited to, the following statistics in making this determination: poverty level statistics as determined by the U.S. Department of Health and Human Services and median income statistics as determined by the United States Department of Housing and Urban Development.

(b) **Loan Limits.** The loan shall not be more than one thousand dollars ($1,000) multiplied by the number of dwelling units in each structure provided no such loan shall exceed thirty thousand dollars ($30,000). If the cost of the energy improvements exceeds this amount for a structure containing more than thirty dwelling units, the eligible person shall include in his application a commitment to make comparable energy improvements to all dwelling units in the structure in addition to the thirty units which are eligible for the loan.

(c) **Term.** The term of the loan or loan guarantee shall not exceed ten years.

(d) **Interest Rates.** A range of interest rates payable on loans made under this section shall be established by the Commissioner in accordance with section 32-317(c) of the General Statutes.

(e) **Underwriting.**

(1) Savings/Payment Ratio. The energy conservation improvement financed by this loan shall result in net savings, as projected by a technical energy audit performed according to standards set in regulations adopted by the secretary of policy and management under section 16a-14 of the General Statutes, is at least ten percent (10%) greater than the energy loan monthly payment. In the case of multiple improvements, the net savings is the sum of the normalized savings from individual measures as projected by a technical energy audit performed according to standards set in regulations adopted by the secretary of policy and management under section 16a-14 of the General Statutes. In the case of inoperable heating systems, no technical energy audit shall be required and the energy conservation improvements shall be considered cost effective to determine the net savings.

(2) Credit.

(A) All applications for loans shall be accompanied by a written credit report obtained not more than six months prior to the date of application. Said credit report shall be for the corporation, partnership, association, or legal entity which owns and/or manages the property. If an individual owns the property, a credit report shall also be provided.

(B) All mortgages on the building to be improved shall be current and show a satisfactory payment history.

(C) Written explanation for previous poor credit, bankruptcies, delinquencies, profit and loss write-off, court judgements, collections, and/or creditor write-off shall be included with the loan application.

(D) If credit is not satisfactory and a critical or emergency condition exists, the Commissioner may approve the loan with special arrangements for payment satisfactory to the Commissioner.

(E) At the option of the Commissioner, an eligible person may be required to submit evidence that, for the property to be improved, property taxes are current.

(F) Grounds for rejection of any application shall include, but are not limited to situations where an eligible applicant: (i) has a history of any loan payment delinquency in the year prior to the date of application; (ii) had an account in collections in the year prior to application; (iii) has had an account written off to profit and loss, bankruptcy or creditor write-off within the past four (4) years; (iv) has not reestablished good credit and/or a good credit report within the past two (2) years; or (v) has property taxes or assessments which are not current with the city/town or state government.

(f) **Loan Security.** Pursuant to sections 32-315 to 32-318, inclusive, of the General Statutes, the State shall have a lien on each property for which a loan has been made to ensure compliance with the terms and conditions of such loan.

(g) The Commissioner may employ the criteria in this section of these regulations to provide loans to owners of residential structures which contain four or fewer dwelling units which share common property with other multi-unit structures so long as the aggregate number of units on the property is more than four.

(Effective June 11, 1996)

Sec. 32-317-4. Loans for residential structures with electrical heating systems

(a) **Type Structures.** To be eligible a residential structure shall:

(1) Be located in the State of Connecticut;

(2) Have been constructed prior to January 1, 1980;

(3) Have an existing primary electric heating system which the applicant either is replacing with a primary heating system or is supplementing with a secondary heating system; and

(4) Have had at least fifty percent (50%) of the area of structure heated by the existing electric heating system or predecessor electric heating systems since December 31, 1979.

(b) **Eligible Replacement Heating Systems.**

(1) The following heating systems are eligible for funding as primary heating systems:

(A) Oil-fired boiler or furnace and distribution system;

(B) Gas-fired boiler or furnace and distribution system;

(C) Coal-fired boiler or furnace and distribution system;

(D) Wood-fired boiler or furnace and distribution system;

(E) Multi-fueled boiler or furnace and distribution system;

(F) Air or water source heat pumps and distribution system; and

(G) Chimney and fuel tank when needed.

(2) The following heating systems are eligible for funding as secondary heating systems:

(A) Vented kerosene, oil, and gas (natural or bottled) space heaters;

(B) Wood stoves;

(C) Coal stoves;

(D) Passive solar heating systems including sunspaces, thermosiphon air panels, fan-assisted air panels, integral storage passive space heating systems;

(E) Active solar space heating;

(F) Chimney and fuel tank when needed; and

(G) Energy efficient windows, doors, and other energy efficient improvements to standards set in regulations adopted by the secretary of policy and management under section 16a-14 of the General Statutes.

(3) All secondary heating systems shall be permanent fixtures to be eligible for a loan.

(Effective June 11, 1996)

Sec. 32-317-5. Eligibility requirements for residential structures with not more than four dwelling units

(a) **Eligible Costs.**

(1) Loans made under this program shall be used for the purchase and installation of energy efficient insulation, windows, and doors; alternative energy conservation devices or materials; replacement furnaces and boilers; and secondary heating systems using a source of heat other than electricity; loans may be used for the conversion of a primary electric heating system to a system using a source of heat other than electricity.

(2) All materials purchased and/or installed shall be in accordance with the standards set in regulations adopted by the secretary of policy and management under section 16a-14 of the General Statutes.

(3) Insulation purchased and installed in residential structures built after December 31, 1979, shall exceed the requirements of the state building code to be an eligible cost.

(b) **Type Structures.**

(1) Loans in the program shall be used for residential structures with less than four (4) dwelling units.

(2) Any eligible residential structure shall be located within the State of Connecticut.

(Effective June 11, 1996)

Sec. 32-317-6. Eligibility requirements for residential structures with more than four dwelling units (Multi-family residential structure)

(a) **Eligible Costs.**

(1) Loans made under this program shall be used for the purchase and installation of energy efficient: insulation, windows, doors, weatherization material and alternative energy conservation devices or materials according to the standards set in regulations adopted by the secretary of policy and management under section 16a-14 of the General Statutes. Loans can be made for standard heating unit replacement of furnaces and/or boilers. Certain electrically heated structures, loans can be obtained for the purchase of a secondary heating system using a source of heat other than electricity or for the conversion of a primary electric heating system to a system using a source of heat other than electricity.

(2) Materials purchased and/or installed shall be in accordance with the standards set in regulations adopted by the secretary of policy and management under section 16a-14 of the General Statutes.

(3) Insulation purchased and installed in residential structures built after December 31, 1979, shall exceed the requirements of the state building code to be an eligible cost.

(b) **Type Structures**

(1) Loans in this program shall be used for multi-family residential structures containing more than four (4) dwelling units.

(2) All eligible residential structure shall be located within the State of Connecticut;

(3) Any delinquent property taxes or outstanding code violations shall be satisfactorily resolved prior to acceptance of an application.

(Effective June 11, 1996)

Sec. 32-317-7. Interest rate subsidy payment

(a) **Calculation.** Not later than August 1 of each year, the Commissioner shall calculate the interest rate subsidy payment which shall be the lesser of the following amounts:

(1) The difference between (1) the weighted average of the percentage rates of interest payable on all subsidized loans made from the energy conservation revolving loan account, and (2) the average of the percentage rates of interest on any bonds and notes issued pursuant to section 3-20 of the General Statutes, which have been dedicated to the energy conservation loan program under sections 32-315 to 32-318, inclusive, of the General Statutes and used to fund such loans (3) multiplied by the outstanding amount of all such loans.

(2) The maximum allowable under Section 103 (b) (2) of the Internal Revenue Code of 1986 or any successor legislation thereto; or

(3) Six percent of the sum of the outstanding principal amount at the end of each fiscal year of all loans made from the energy conservation revolving loan account and the balance remaining in the energy conservation revolving loan account.

(b) **Collection.** The amount of the interest rate subsidy payment shall be paid by the electric and gas companies having at least seventy-five thousand (75,000) customers, as allocated by the Ct. Department of Public Utility Control. Not later than September 1 of each year, the Commissioner shall bill the electric and gas companies. Payment shall be due no later than October 1 of each year.

(Effective June 11, 1996)

Sec. 32-317-8. Priorities

The Department shall endeavor to ensure that loans for dwelling units owned or occupied by low or moderate income persons are facilitated to the extent possible. In the event the allocation of funds available for loans is not sufficient to finance all of the qualified applicants, priority shall be established first by the extent to which the loan will be used by or for low or moderate income persons and then by date of the Department, receipt of applications.

(Effective June 11, 1996)

Sec. 32-317-9. Program management

(a) The Commissioner shall adopt such internal management procedures as may be required for the processing and servicing of loans made from the Energy Conservation Revolving Loan Account.

(1) At the commissioner's discretion a ''Program Manager'' shall be appointed to act in behalf of the commissioner as an internal manager and coordinator for the Energy Conservation Loan Program.

(2) The program manager shall be responsible for the daily operation, and policy enforcement for application review and approval; compliance review for energy conservation program improvements; contract compliance; coordination of outside services and contracts; staff and personnel management; accounting; and any other duties as delegated by the Commissioner.

(b) The Commissioner has the option to refuse to provide a loan for any work done prior to receipt, acceptance and approval of a formal application from the applicant by the Department. The Department shall not be liable for any work performed, materials purchased, contracts signed or any other debt incurred in connection with any unsuccessful application for an energy conservation loan. If, in the case of a faulty heating unit, it has been determined (by a Utility Company or Fire Dept.) that an emergency exists and that life or property could be in danger, the Commissioner can grant permission and/or approval in writing to proceed with the replacement heating unit at the time of application or credit report approval; the balance of all remaining paperwork should be completed at the earliest possible date.

(c) The Commissioner shall recall any loan granted from the Energy Conservation Loan Account when the proceeds of such loan are used for purposes other than those identified in sections 32-315 to 32-317, inclusive, of the General Statutes.

(d) The Commissioner shall recall and demand immediate repayment of any loan granted to an applicant if the required work completion forms, cancelled checks, signed contractor statements, and receipts for the energy improvement as agreed to in the signed commitment letter is not received by the date specified in the closing documents.

(e) In the event a loan is in arrears for a period of 120 days or more, the Commissioner may:

(1) Require the recipient of the loan to repay the loan in full; or

(2) To facilitate repayment, the Commissioner may recast the balance of the outstanding indebtedness, at an interest rate not less than that originally levied, for a period of time not exceeding the original loan term and consistent with the appropriate underwriting income ratio.

(f) The Commissioner shall take steps to make the existence of the Energy Conservation Loan Revolving Account known to low and moderate income families. He may use radio, newspaper, and/or television media. In addition, he shall consult with the Department of Social Services and local Community Action Agencies in an effort to reach as many low and moderate income families as possible.

(g) The Commissioner shall reimburse the general fund for interest on the outstanding bonds and notes used to fund loans made under this program by applying to the general fund (1) the interest payments received from recipients of loans made by the Commissioner under the Energy Conservation Loan Program, less the administrative expenses incurred by the Commissioner, and (2) the payments received from electric and gas companies as interest rate subsidy payments.

(Effective June 11, 1996)