

# STATEMENTS OF POLICY

## Title 12—COMMERCE, TRADE AND LOCAL GOVERNMENT

### HOUSING FINANCE AGENCY [ 12 PA. CODE CH. 31 ]

#### Home Energy Efficiency Loan Program (R & R Energy); Program Guidelines

The Pennsylvania Housing Finance Agency (Agency) publishes the guidelines for the Home Energy Efficiency Loan Program under Chapter 6 (section 607) of the "Alternative Energy Investment Act," Act 1, Special Session No. 1 (2007-2008).

##### *Program Summary*

The Keystone Renovate & Repair Loan Program (Program) was created by the Agency in 2006 to fill a gap in the home repair lending market and to help prevent homeowners from becoming victims of predatory lending practices. Many Pennsylvania homeowners are not eligible for assistance programs designed to help homeowners repair their homes. They therefore turn to the conventional loan market for financing, which is generally provided in the form of a home equity loan. These types of loans often have variable rates; require considerable equity in the home; may provide more financing than the homeowner needs; and provide little or no guidance regarding what repairs should be made, how to select a contractor, what to include in a contract, how to determine if the work was done satisfactorily, how long the work should take, and the like.

The Program has been made possible through a State appropriation in 2008. It will operate as a subset of the regular Program by providing mortgage loans with affordable terms to eligible borrowers for eligible uses as set forth in the enabling legislation and in the Agency's guidelines which may be updated from time to time. R&R Energy loans will be provided for the specific purpose of making homes more energy efficient, rather than for general home repair or improvement purposes. (Note that the standard Program does allow for energy efficient repairs/improvements in addition to general repairs/improvements.)

R&R Energy loans are funded and serviced by the Agency but will be originated for eligible borrowers by Agency-approved Local Program Administrators (LPA). Eligible LPAs include, but are not limited to, the following:

- County housing authorities
- Housing redevelopment authorities
- Community action agencies
- Community development corporations
- Housing Development Corporations
- Municipalities
- Lenders
- Other nonprofit organizations with related housing experience

LPAs are approved by the Agency to participate in the Program through an open application process. The Invitation to Participate, which includes the application, is available to all interested eligible parties on the Agency's web site [www.phfa.org](http://www.phfa.org). The application may also be obtained by contacting the Agency at (717) 780-3871 or (800) 822-1174, or in writing to PHFA, Homeownership Programs Division, 211 North Front Street, P. O. Box 8029, Harrisburg, PA 17105-8029.

The Program will be processed through qualified LPAs in the Agency Program. The Program generally entails the following steps as established by the Agency: prescreening of the borrower's eligibility; loan application and underwriting; work scope and procurement of bids for the work to be performed under the Program; loan closing; construction work monitoring and completion; and close-out and submission of the complete final package to the Agency. Upon being selected for participation in the Program, the LPA will execute a Participation Agreement with the Agency.

A current list of LPAs through which borrowers may seek applications for the Program will be available on the Agency's web site [www.phfa.org](http://www.phfa.org) or by contacting the Agency at (717) 780-3871 or (800) 822-1174.

##### *Effective Date*

The provisions of Act 1, Special Session No. 1 (2007-2008) were effective on July 9, 2008, and the Agency was directed to publish guidelines for the Program within 90 days of the effective date. These guidelines shall take effect upon publication.

BRIAN A. HUDSON,  
*Executive Director*

*(Editor's Note: Title 12 of the Pa. Code is amended by adding a statement of policy in §§ 31.301—31.309 to read as set forth in Annex A.)*

**Fiscal Note:** 39-NOT-11. No fiscal impact; (8) recommends adoption.

#### Annex A

### TITLE 12. COMMERCE, TRADE AND LOCAL GOVERNMENT

#### Subpart D. HOUSING FINANCE AGENCY

#### CHAPTER 31. HOUSING FINANCE AGENCY

#### Subchapter C. POLICY STATEMENT ON HOME ENERGY EFFICIENCY LOAN PROGRAM (R & R Energy)

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##### § 31.301. Definitions.

The following words and terms, when used in this subchapter, have the following meanings, unless the context clearly indicates otherwise:

*Act*—The Alternative Energy Investment Act, Act 1, Special Session No. 1 (2007-2008).

*Agency*—The Pennsylvania Housing Finance Agency.

*Approved contractor*—A contractor approved by the Agency to participate in the R & R Energy Program.

*Borrower*—A homeowner or homebuyer who obtains or is seeking to obtain financing under the R & R Energy Program.

*Contractor*—A person who owns or operates an energy efficiency service-related or home improvement contracting business or who undertakes, offers to undertake or agrees to perform any work under the R & R Energy Program.

*LPA—Local program administrator*—

(i) A local housing organization, municipality or lender who originates loans on behalf of the Agency under this Program and also acts as the construction manager.

(ii) The term includes but is not limited to, the following:

- (A) County housing authorities (HA).
- (B) Housing and redevelopment authorities (HRA and RDA).
- (C) Community action agencies (CAA).
- (D) Community development corporations (CDC).
- (E) Housing development corporations (HDC).
- (F) Municipalities.
- (G) Lenders.
- (H) Other nonprofit organizations with related housing experience.

*R & R Energy Program*—The Keystone Renovate Repair Program.

**§ 31.302. Eligible loan uses.**

The proceeds of the R&R Energy loan are to be used only to finance the purchase and installation of any of the following:

- (1) Air sealing, insulation and duct work.
- (2) Energy efficient windows and doors.
- (3) Repair or replacement of energy efficient heating or cooling systems such as the purchase of furnaces, boilers, ceiling fans, central air conditioners or hot water heaters with the Energy Star® label, programmable thermostats, geothermal heating systems, and the like.
- (4) Roofing repair, replacement or improvements.

**§ 31.303. Loan terms and conditions.**

- (a) Loans must be fully amortized over a period of up to 10 years.
- (b) The maximum loan amount is \$10,000. The minimum loan amount is \$1,000.
- (c) The interest rate is set by the Agency and will be updated and published on the Agency's web site ([www.phfa.org](http://www.phfa.org)).
- (d) The mortgage for the R&R Energy loan is recorded as a lien against the property.
- (e) All property owners shall sign the mortgage.
- (f) Each note shall be executed by the homeowners responsible for the debt.
- (g) In accordance with the provisions of the note, loans must be paid in full upon the sale or transfer of any borrower's interest in the property, but not earlier than 6 months from loan closing.
- (h) Loans may not be assumed by third parties.

(i) There are no penalties in the event of an early payoff.

(j) Borrowers will be charged a satisfaction recording fee, when they pay off their R & R Energy loan.

(k) The mortgage and note shall be executed on the forms provided or approved by the Agency.

**§ 31.304. Borrower eligibility.**

(a) The borrower must reside in the subject home as a primary, principal residence or have the intent to if purchasing the subject property.

(b) The total combined household adjusted gross income, as determined by the most current Federal tax returns of all adult household members, may not exceed 150% of the greater of the current Statewide or area median income as established by the United States Department of Housing and Urban Development (HUD) for the county in which the home is located. (Information regarding HUD income limits applicable to the R&R Energy Program is available at the Agency's web site at [www.phfa.org](http://www.phfa.org).) An adult is defined as any person 18 years of age or older who resides in the home as a principal residence and who is not a full-time (12 credits or more) undergraduate student.

(c) Borrowers shall also meet general mortgage underwriting guidelines as established by the Agency with regard to their credit and employment history, debt to income ratio, assets, and the like.

(d) Borrowers may need to pay for or finance certain costs and fees in connection with obtaining an R & R Energy Loan. These will be disclosed in accordance with State and Federal requirements.

**§ 31.305. Borrower application process.**

(a) An individual may submit an application to the Agency or to an LPA acting on the Agency's behalf on the form required by the Agency which includes:

- (1) The borrower's name and address
- (2) The identity of the approved contractor who will complete the energy efficiency project.
- (3) A description of the energy efficiency project and estimate of cost.
- (4) The amount of the loan sought.
- (5) A statement authorizing the Agency to conduct a credit history check.
- (6) Other information required by the Agency.

(b) The Agency or its LPA will review the application to determine if the following requirements are met:

- (1) The project is eligible for financing under this program.
- (2) The borrower is eligible to receive a loan under this program.
- (3) The value of the proposed collateral and the financial resources of the borrower are sufficient to repay the loan.
- (4) The statement of the estimated cost of the project is accurate and reasonable.
- (5) The borrower complied with all other criteria as established by the Agency.
- (6) The work will be performed by an approved contractor.

(c) Once the application is deemed complete, the Agency or its LPA may approve it. The Agency will have complete discretion in determining whether a proposed energy efficiency project is eligible for a loan.

**§ 31.306. Contractor eligibility.**

A contractor who undertakes, offers to undertake or agrees to perform any work under the R & R Energy Program shall be approved by the Agency and listed on the R & R Energy Program Approved Contractor List posted on the Agency's web site. Contractors may apply for approval through the Agency directly or through an approved LPA, who will then forward the information to the Agency for inclusion in the Approved Contractor Listing.

**§ 31.307. Contractor application process.**

A contractor may apply to become an approved contractor by filing an application with the Agency using the required form, which includes or demonstrates the following information:

(1) For an individual contractor, the name, home address and telephone number, driver's license identification number or that of an identification card issued by the Department of Transportation, as well as the individual's business name, address and phone number and all prior business names and addresses of home improvement businesses.

(2) For a contractor consisting of a business partnership, the name, home address and telephone number, and driver's license identification number of each partner as well as the partnership name, address and telephone number.

(3) For a contractor consisting of a corporation, limited liability company or limited partnership, the name, home address and telephone number, and driver's license identification number of each officer, director or individual holding greater than a 5% stake in the business, as well as the entity's business name, address and telephone number.

(4) For an out-of-State corporation, limited liability company or limited partnership, the name and address of the entity's resident agent or registered office provider within this Commonwealth and any registration number or license number issued to the entity by its home state or political subdivision of the other state, if applicable.

(5) For a joint venture applicant, the name, address and telephone number of the joint venture, as well as the name, address and telephone number of each party to the joint venture. If the parties include business entities, the information required from the entities shall also be provided.

(6) A complete description of the nature of the contracting business of the contractor, including a statement defining the service area of the business, any specialized work the contractor is qualified for and years of operation.

(7) A statement whether any of the following apply:

(i) The individuals applying, even if doing so as part of a business entity application, have ever been convicted of a criminal offense related to a home improvement transaction, fraud, theft, a crime of deception or a crime involving fraudulent business practices.

(ii) The applicant has ever filed a petition in bankruptcy or, within the last 10 years, received a final civil judgment entered against the applicant or businesses in which the applicant held an interest that was related to a home improvement transaction.

(iii) The contractor's certificate or the certificate of a business with which the person applying held an interest has ever been revoked or suspended under an order issued by a court of competent jurisdiction in this Commonwealth or any other state or political subdivision thereof and, if so, the current status of the certificate.

(iv) The contractor is not current in all applicable Federal, State and local tax filings.

(8) Whether within the last 10 years the contractor has been suspended or debarred from participating in any Federal, State or local program through which public funding or other assistance is provided to consumers for home improvements.

(9) Proof of liability insurance covering personal injury and covering property damage in amounts and with carriers acceptable to the Agency.

**§ 31.308. Contractor approval.**

Upon being satisfied that all requirements have been met, the Agency may approve the contractor's application. The Agency will not approve a contractor's application if any of the following conditions exist:

(1) The individuals applying, even if doing so as part of a business entity, have been convicted of a criminal offense related to a home improvement transaction, fraud, theft, a crime of deception or a crime involving fraudulent business practices.

(2) The contractor has been suspended or debarred from participating in any Federal, State or local program through which public funding or other assistance is provided to consumers for home improvements.

**§ 31.309. Other program requirements.**

Additional processing and application requirements will be applicable to this Program and the Agency reserves the right to provide additional guidance to borrowers, contractors and Program LPAs on its web site from time to time. The Agency may also implement additional program criteria such as the allowance of pre- and postconstruction/installation energy audits to quantify energy savings as a result of the energy efficiency contracting work performed through the Program.

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