

Expedited Bill No. 06-09  
Concerning: Home Energy Loan  
Program - Establishment  
Revised: 2/20/2009 Draft No. 5  
Introduced: February 24, 2009  
Expires: August 24, 2010  
Enacted: \_\_\_\_\_  
Executive: \_\_\_\_\_  
Effective: \_\_\_\_\_  
Sunset Date: \_\_\_\_\_  
Ch. \_\_\_\_\_, Laws of Mont. Co. \_\_\_\_\_

## COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

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

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**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

<b>Boldface</b>	<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.

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

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

23           (1) caulking and weatherstripping doors and windows;

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

25                   (A) replacing a burner, furnace, heat pump, or boiler, or air  
26                   conditioner with a high efficiency model;

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

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

51                    ENERGY STAR rating means the ENERGY STAR rating developed by the  
52                    federal Environmental Protection Agency which rates a product's energy  
53                    efficiency.

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

- 57 (a) assure that a home's energy efficiency is accurately measured; and  
58 (b) identify cost effective steps that can be taken to improve a home's  
59 energy efficiency.

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

62 Home Energy Loan Program or Program means the program that provides  
63 zero or low interest loans to install an energy efficiency improvement or  
64 renewable energy device.

65 Home Energy Rating System or HERS means the energy efficiency rating  
66 system for residential buildings developed by the Residential Energy Services  
67 Network.

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

- 70 (a) the County's current cost of borrowing funds or the cost, if any, of  
71 federal funds made available to the County for this purpose; and  
72 (b) the cost of administering the Program.

73 Renewable energy means the following energy sources or technology:

- 74 (a) solar;  
75 (b) wind;  
76 (c) geothermal; and  
77 (d) any other energy source or technology which the Director finds is  
78 derived from natural processes that do not involve the consumption of  
79 exhaustible resources.

80 Renewable energy device means a device that:

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

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

88 **18A-25. Established; purpose.**

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

- 90 (a) improve energy efficiency;  
 91 (b) promote energy conservation;  
 92 (c) reduce greenhouse gas emissions; and  
 93 (d) reduce consumption of fossil fuels by County residents.

94 **18A-26. Eligibility; use of funds.**

- 95 (a) The Director may loan funds to an owner of a single-family home to  
 96 fund eligible costs to make an energy efficiency improvement that is  
 97 projected to be cost effective or install a renewable energy device in the  
 98 single-family home, up to the maximum loan amount set by regulation.  
 99 (b) To be eligible for a loan under this Program, a property owner must:  
 100 (1) have a home energy audit performed on the owner's single-  
 101 family home by a certified energy auditor, as required under  
 102 Section 18A-27;  
 103 (2) have the energy efficiency improvement completed or renewable  
 104 energy device installed within 6 months after receiving the loan;  
 105 and

106           (3)   agree to repay the loan amount borrowed through the County tax  
107                   bill for that home, as required by Section 18A-28.

108       (c)   The Department of Permitting Services must certify that the  
109           improvement or device for which the funds were loaned has been  
110           properly installed. The Department must accept a certification by  
111           another government agency, including a municipality, that the  
112           improvement or device has been property installed. The County  
113           Executive may assign the responsibility under this subsection to another  
114           entity, including a third party.

115       (d)   The term of the loan must be 15 years, unless the Director sets a  
116           different loan term by regulation.

117       (e)   *Use of funds for an energy efficiency improvement.*

118           (1)   A person may borrow funds for eligible costs to make an energy  
119                   efficiency improvement, less any amount received from a public  
120                   or private program because the improvement is or will be made.

121           (2)   Except as provided by subsection (f)(2), funds must be loaned  
122                   only for an energy efficiency improvement that is projected to be  
123                   cost effective.

124           (3)   Funds may be loaned for an energy efficiency improvement that  
125                   is not cost effective if that improvement is part of a package of  
126                   improvements financed under the Program that cumulatively is  
127                   cost effective.

128       (f)   *Use of funds for a renewable energy device.*

129           (1)   A person may borrow funds for eligible costs to install a  
130                   renewable energy device only if:

131                   (A)   the single-family home has a HERS score of 100 or below;

132                               or

- 133                    (B) the owner has a home energy audit performed on the  
134                    owner's home and, based on the audit recommendations,  
135                    makes energy efficiency improvements that result in a 30  
136                    percent increase in efficiency.
- 137            (2) A person may borrow funds for eligible costs to install a  
138            renewable energy device, less any amount received from a public  
139            or private program because the device is or will be installed.
- 140            (3) A person must not borrow funds to install a renewable energy  
141            device if that person receives a property tax credit for renewable  
142            energy devices under Section 52-18R.

143 **18A-27. Home energy audit.**

- 144            (a) An applicant for a loan under this Program must have and submit to the  
145            County a home energy audit performed on the owner's home by a  
146            certified energy auditor.
- 147            (b) The auditor must prepare a written report that:
- 148                    (1) contains findings and recommendations to improve the home's  
149                    energy efficiency;
- 150                    (2) identifies those cost effective energy efficiency improvements  
151                    which would generate projected annual energy cost savings,  
152                    based on projected energy costs set by Method (3) regulation, that  
153                    are equal to or more than the estimated cost of the improvements  
154                    to be financed under the County Program when the cost of the  
155                    improvements are amortized over 15 years; and
- 156                    (3) identifies any public or private financing mechanisms known to  
157                    the auditor that could be used to implement energy efficiency  
158                    improvements.
- 159            (c) The cost of the audit may be included in the amount of the loan.

160 **18A-28. Repayment of funds; lien.**

- 161 (a) The owner of single-family home must agree to repay the loan amount  
162 borrowed, amortized over 15 years, through the County property tax bill  
163 for that home.
- 164 (b) If the owner of the single-family home sells the home, the seller must  
165 disclose that the buyer must continue to repay the loan through the  
166 property tax bill.
- 167 (c) The loan amount and any accrued interest constitute a first lien on the  
168 real property to which the loan applies until paid. The loan amount and  
169 accrued interest are collectable by suit or tax sale like all other real  
170 property taxes, to the extent allowed by State law. In the event of a  
171 failure to pay the loan and accrued interest as required, the property may  
172 be certified to the Department of Finance and the lien may be sold at the  
173 tax sale conducted by the County. The deferred fees constitute a  
174 personal liability of the owner of the property.

175 **18A-29. Regulations.**

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

- 178 (a) lending standards and priorities;  
179 (b) minimum and maximum loan amounts;  
180 (c) interest rates, terms, and conditions;  
181 (d) application procedures including necessary supporting documentation;  
182 (e) criteria for adequate security;  
183 (f) procedures to refer applicants to other sources of funds, and to  
184 cooperate with other public and private sources of funds;  
185 (g) procedures to ask the Director to reconsider any denial of a loan or any  
186 decision on interest rates, terms, and conditions;



- 187           (h)    procedures for nonpayment or default;  
 188           (i)    procedures and requirements for post-installation inspection; and  
 189           (j)    disclosure requirements for real estate transactions.

190    **18A-30. Revolving loan fund.**

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

193                    Department means the Department of Finance.

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

196           (b)    The Fund consists of:

197                    (1)    money appropriated in the County budget for the Program;

198                    (2)    money received from any public or private source;

199                    (3)    interest and investment earnings on the Fund;

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

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

203           (c)    The Department must:

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

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

208    **18A-31. Annual report.**

209                    Each August 15, the Director must submit a report to the County Executive  
 210                    and County Council that identifies:

211                    (a)    the number of recipients of loans;

212                    (b)    the amount of funds loaned; and

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

214 **18A-32. Third party contract.**

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

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

219 (2) execute loan agreements;

220 (3) secure and service loans;

221 (4) collect loan payments; and

222 (5) conduct collections for defaulted loans.

223 (b) The County, or a contractor for the County, may charge an applicant or  
224 borrower usual and customary fees, including:

225 (1) application fees;

226 (2) loan origination fees;

227 (3) delinquency fees;

228 (4) costs of collection; and

229 (5) other program fees to support verification of program  
230 requirements.

231 **Sec. 2. Initial regulations.**

232 The County Executive must adopt and submit to the County Council, not later  
233 than (date 3 months after enactment of bill), regulations to implement Article 4 of  
234 Chapter 18A, as added by Section 1 of this Act.

235 **Sec. 3. Expedited Effective Date.**

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

239

240 *Approved:*

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Philip M. Andrews, President, County Council

Date

242 *Approved:*

243

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Isiah Leggett, County Executive

Date

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

245

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Linda M. Lauer, Clerk of the Council

Date