

**REPORT TO THE JOINT STANDING COMMITTEE ON  
UTILITIES AND ENERGY  
ON  
L.D. 1942, “Resolve, Regarding Loans for Geothermal Heating Systems”**

**January 15, 2009**

**I. Introduction**

During the Second Regular Session of the 123rd Maine Legislature, Representative Timothy Carter submitted a bill entitled, L.D. 1942, “Resolve, Regarding Loans for Geothermal Heating Systems.” The resulting Resolve, Chapter 156, Section 2 directs Maine State Housing Authority to report to the joint standing committee of the Legislature having jurisdiction over energy matters no later than January 15, 2009, on the number, amount, and characteristics of residential loans made during the previous program year for geothermal heating systems and other energy conservation measures under their Home Energy Loan Program (HELP). A copy of Resolve, Chapter 156 is included as Appendix A.

This report outlines the detail and characteristics of HELP loans made by MaineHousing during 2008.

**II. Background**

Escalating energy costs, increasing concerns about climate change, and an economic downturn that no one could have predicted have inspired Maine citizens, businesses, and legislators alike to seek alternative solutions to Maine’s heavy dependence on fossil fuels. In a proactive response, in 2007 MaineHousing created the Home Energy Loan Program (HELP), offering low interest loans for low to moderate income homeowners to finance a variety of home energy improvements. MaineHousing’s HELP Program offers loans at a low fixed rate of 3.95%, loan amounts between \$2,800 to \$30,000, and loan terms up to 15 years with no down payment required.

HELP loans may be used to finance:

- Home energy audits
- Insulation, air sealing, and weather stripping
- Heating system repair or replacement\*
- Energy Star rated windows and appliances
- Storm doors and storm windows
- Ventilation and moisture controls
- Roof repairs (if attic is insulated to a minimum R38 value)

\*Efficient wood stoves, wood pellet systems, geothermal heat pumps, and solar thermal hot water systems are among the possible heating system improvements.

Eligible homeowners are those who:

- Own and occupy a one to four unit home.
- Have total monthly debt payments 45% or less of total monthly income.
- Have total home loans (including the energy loan) that do not exceed 106% of their home’s value (100% or less for mobile homes).

Income limits are as follows:

Area	Income Limits per Household Size	
	1-2 person	3 or more
Bangor HMFA*		
Bangor, Brewer, Eddington, Glenburn, Hampden, Hermon, Holden, Kenduskeag, Milford, Old Town, Orono, Orrington, Penobscot Indian Reservation, Veazie	\$58,100	\$66,815
Portland/So. Portland HMFA		
Buxton, Cape Elizabeth, Casco, Cumberland, Falmouth, Freeport, Frye Island, Gorham, Gray, Hollis, Limington, Long Island, North Yarmouth, Old Orchard Beach, Portland, Raymond, Scarborough, South Portland, Standish, Westbrook, Windham, Yarmouth	\$68,200	\$78,430
York/Kittery/So. Berwick HMFA		
Berwick, Eliot, Kittery, So. Berwick, York	\$73,400	\$84,410
Other Areas		
Cumberland County (excluding HMFA)	\$66,326	\$76,275
Kennebec County	\$55,900	\$64,285
Lincoln County	\$62,215	\$71,548
Penobscot County (excluding HMFA)	\$55,400	\$63,710
Sagadahoc County	\$65,626	\$75,470
York County (excluding HMFA)	\$65,606	\$75,447
All Other Counties	\$55,400	\$63,710

\* HMFA= HUD Metro Fair Market Rent Area

### III. HELP Loan Outreach and Program Promotion

MaineHousing's HELP Program is promoted through a variety of ongoing outreach activities such as participation in energy-related expos, educational forums, and seminars across the state. Informational brochures, program posters, and flyers have been distributed for display in town offices and libraries as well as other community buildings throughout Maine. Traditional media resources including newspaper press releases and ads in energy-related newspaper supplements have also provided a consistent vehicle for program promotion. HELP Program details are highlighted on MaineHousing's website and are provided as a website link for other organizations and businesses interested in promoting energy efficiency. MaineHousing additionally counts on its participating lending partners to market the HELP Program to low to moderate income customers who seek home energy improvement loans.

#### MaineHousing HELP Program Participating Lenders

- Bath Savings Institution
- Camden National Bank
- HomeQuest
- Kennebunk Savings Bank
- MaineStream Finance
- Northeast Bank
- Norway Savings Bank
- Skowhegan Savings Bank
- The First, N.A.

### IV. HELP Loans in 2008

In May 2008 MaineHousing initiated changes to the HELP Program that included expansion of the maximum loan amount from \$15,000 to \$30,000 and extension of the loan term from five to 15 years. These changes, in response to inquiries regarding geothermal heating system installation, were made in part to accommodate projected heating system costs.

MaineHousing, through its network of lending partners, financed a total of fifteen HELP loans between May and December 2008. With an additional 56 loan reservations currently in the pipeline, the 2008 HELP loan activity rate more than doubled that of the previous year. Though these loans have financed a variety of home energy improvements, neither the fifteen completed loans nor the 56 pending reservations include geothermal heating system installation. Below is a list of energy efficiency improvements that have been funded through the fifteen HELP loans made in 2008:

<u>Efficiency Improvements</u>	<u>Total</u>
Air sealing	14
Insulation	13
Heating System Repair	1
Heating System Replacement	4

Energy Star Windows	3
New Doors	3
Energy Star Refrigerators	4
Energy Star Dishwasher	1
Energy Star Dryer	1
Hot Water Heater Replacement	2
Roof Repair	3
Knob and Tube Wiring Removal	4
Ventilation Improvements	1

Average loan: \$14,400  
Loan range: \$8,400- \$21,000

Note: Multiple improvements may have been made per loan.

## V. Conclusion

Burdened with a long-term payback period (15 years+) and high installation costs (average \$20,000-\$30,000+), geothermal heating systems are a stretch for most Maine homeowners, especially those who can't afford to wait for their energy efficiency investment to pay off. More generally, recent relief from high energy costs and the economic realities of a deepening recession have chilled many homeowners' drive, focus, and urgency in making home energy efficiency improvements. A recent slowdown in the number of HELP loan requests may indeed be a good indicator of this.

Though geothermal heating system conversions have not been a consumer choice through the HELP Program over the past year, basic and essential energy efficiency improvements such as air sealing and insulation measures have been predominant in both loans made to date and the outstanding loan reservations currently in the program pipeline. Average annual energy cost savings for these fundamental weatherization measures is estimated at 20%. Given the age of Maine's housing stock, these basic weatherization improvements provide some of the best savings to investment values for Maine homeowners seeking relief from the cold and burdensome energy costs.

MaineHousing is pleased to offer the Home Energy Loan Program (HELP) as a vehicle through which low to moderate income Mainers can make necessary home improvement, reducing their overall energy consumption and related costs. MaineHousing continues to monitor the market and will adjust HELP Loan Program offerings according to consumer needs and demands into the future.

## Appendix A

### Resolve

123rd Legislature

Second Regular Session

Chapter 156

H.P. 1376 - L.D. 1942

### Resolve, Regarding Loans for Geothermal Heating Systems

#### **Sec. 1 Loans for commercial geothermal heating units; report.**

**Resolved:** That the Public Utilities Commission may provide loans for geothermal heating systems under the Energy Conservation Small Business Revolving Loan Program, established under the Maine Revised Statutes, Title 35-A, section 10005. No later than January 15, 2009, the Public Utilities Commission shall report to the joint standing committee of the Legislature having jurisdiction over energy matters regarding the number, amount and characteristics of loans made during the previous program year for geothermal heating systems and other energy conservation measures under the Energy Conservation Small Business Revolving Loan Program. The commission may submit this information as part of the conservation program report required by Title 35-A, section 3211-A, subsection 11; and be it further

#### **Sec. 2 Loans for residential geothermal heating units; report.**

**Resolved:** That the Maine State Housing Authority may provide loans for the installation of geothermal heating systems under the Home Energy Loan Program. No later than January 15, 2009, the Maine State Housing Authority shall report to the joint standing committee of the Legislature having jurisdiction over energy matters regarding the number, amount and characteristics of loans made during the previous program year for geothermal heating systems and other energy conservation measures under the Home Energy Loan Program.

Effective June 30, 2008