

# MAINE STATE LEGISLATURE

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(Governor's Bill)  
SECOND REGULAR SESSION

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ONE HUNDRED AND NINTH LEGISLATURE

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**Legislative Document**

**No. 1963**

S. P. 766

In Senate, February 26, 1980

Referred to the Committee on Appropriations and Financial Affairs. Sent down for concurrence and ordered printed.

MAY M. ROSS, Secretary of the Senate

Presented by Senator Najarian of Cumberland.

Cosponsor: Senator Trafton of Androscoggin.

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STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY

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**AN ACT to Provide Funds for Residential Energy Conservation.**

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Be it enacted by the People of the State of Maine, as follows:

**Sec. 1. 30 MRSA § 4552, sub-§ 19 is enacted to read:**

**19. Home improvement note.** "Home improvement note" means an interest bearing obligation, secured in whole or in part by a mortgage, insurance or otherwise as may be agreed upon by the state authority from time to time, made to improve or rehabilitate, for the purpose of energy conservation, residential housing or a housing project in the State.

**Sec. 2. 30 MRSA § 4651, sub-§ 13 is enacted to read:**

**13. Home improvement notes.** Pursuant to the purposes of this Act, to provide housing for persons of low or moderate income, the state authority shall have the power to acquire from banks, life insurance companies, savings and loan associations, the Federal Government and other financial institutions, home improvement notes anywhere in the State, the restriction as to the area of operation in section 4552, subsection 1, notwithstanding, and to sell home improvement notes to insurance companies and other financial institutions and agencies of the United States and any fiduciaries or retirement funds. For purposes of this subsection and section 4757, persons of moderate income include

families whose adjusted income is 150% or less of the median family income for the State, as developed by the United States Bureau of the Census for the United States Department of Health, Education and Welfare for use in establishing eligibility for social services funded under the United States Social Security Act, Title XX.

**Sec. 3.** 30 MRSA § 4716, 3rd ¶, first, 2nd and 3rd sentences, as enacted by PL 1975, c. 625, § 18, are repealed.

**Sec. 4.** 30 MRSA § 4716, 3rd ¶, last sentence, as enacted by PL 1975, c. 625, § 18, is amended to read:

The state authority may also establish such additional requirements as it shall deem necessary with respect to the pledging, assigning, setting aside or holding of such collateral and the making of substitutions therefor or additions thereto and the disposition of income and receipts therefrom.

**Sec. 5.** 30 MRSA § 4751, first ¶, as amended by PL 1969, c. 564, § 6, is further amended by adding at the end a new sentence to read:

**These bonds may also be secured by one or more Capital Reserve Funds as established in section 4761.**

**Sec. 6.** 30 MRSA § 4756, first sentence, as last amended by PL 1977, c. 564, § 118-A, is further amended to read:

The state authority shall have the power to purchase or to make commitments to purchase from banks, life insurance companies, savings and loan associations, the Federal Government and other financial institutions lawfully doing business in the State of ~~Maine~~, the interest bearing obligations secured by mortgages and notes which are a first lien on land and improvements in Maine constituting residential housing or a housing project ~~except that an obligation shall not be eligible for purchase by the state housing authority if the date of said obligation is prior to October 1, 1969.~~

**Sec. 7.** 30 MRSA § 4757, sub-§ 2, as amended by PL 1975, c. 522, § 4, is further amended to read:

**2. Reinvestment of sale proceeds.** That, when the obligation so sold is secured by land and improvements constituting a one-family to 4-family housing unit or has been held by the originator for more than one year since the completion of the construction of the securing structure, the proceeds of sale or its equivalent shall be reinvested in residential mortgages or notes within the State of ~~Maine~~, or invested in short term obligations pending the purchase of such residential mortgages or notes. **Notwithstanding any other provisions of this subchapter, for purposes of this section and section 4758, the term "residential mortgages or notes" includes, but is not limited to, residential mortgages or notes of persons of moderate income, but only if such residential mortgages or notes are made for the purpose of energy conservation of residential housing or a housing project in the State.**

**Sec. 8. 30 MRSA § 4758, first sentence**, as repealed and replaced by PL 1975, c. 522, § 5, is amended to read:

The state authority shall not purchase from a seller who has previously sold to the state authority loans or obligations secured by land and improvements constituting one-family to 4-family housing units any new loan or obligation secured by land and improvements constituting a one-family to 4-family housing unit until such seller has completed the reinvestment in residential mortgages **or notes** or the purchase of such residential mortgages **or notes** contemplated in section 4757 and so informed the state authority in writing, provided, however, that if any seller had entered into a contract with the state authority ~~prior to May 1, 1975~~, which contract provided for reinvestment of the proceeds of the sale of mortgages or obligations with certain restrictions within a certain time period, compliance with the terms of such contract shall constitute compliance with this section, and any seller who is performing within the terms of said contract shall be deemed to have completed said reinvestment requirements within the meaning of this section with respect to mortgages or obligations subject to such contract.

**Sec. 9. 30 MRSA § 4761, sub-§ 2, last ¶, first and 2nd sentences**, as repealed and replaced by PL 1973, c. 623, § 1, are amended to read:

All moneys held in any Capital Reserve Fund shall be used only to retire those bonds of the state authority issued to purchase mortgage loans or notes **or home improvement notes** under the resolution establishing such Capital Reserve Fund, or to maintain such Capital Reserve Fund at an amount equal to the minimum reserve established by the state authority. Any proceeds beyond the amount necessary to this function may be used to replace matured mortgage loans or notes **or home improvement notes** or to purchase mortgage loans or notes **or home improvement notes** or to pay any and all expenses of the state authority up to ½ of 1% of the bond value outstanding each year under the resolution creating such Capital Reserve Fund.

**Sec. 10. Eligible conservation projects.** The Maine State Housing Authority in consultation with the Office of Energy Resources shall develop guidelines defining eligible energy conservation projects.

**Sec. 11. Affidavits.** The Maine State Housing Authority shall require an affidavit in conjunction with an application for a residential energy loan to ensure that the loan is used for the purposes intended in this Act.

**Sec. 12. Penalties.** Anyone using these loans for other than those purposes identified in section 10 is subject to a civil penalty not to exceed \$5,000, payable to the State, to be recovered in a civil action.

#### STATEMENT OF FACT

The purpose of this bill is to make low-interest loans for energy saving improvements available to middle and low income families.

It is estimated that residential energy use accounts for approximately 25% of the energy used in Maine. This bill is an important step towards the goal of making every resident in Maine energy efficient in the next 10 years.

This bill makes loans available with moneys provided through the Maine State Housing Authority. Interest rates will be subject to market conditions, but will be reduced from the current rate for households with incomes of \$25,000 or less.

This program will be funded through special obligations of the Maine State Housing Authority, and as such will not constitute a loan of the State or any indebtedness of the State.

The Office of Energy Resources estimates that over 200,000 single-family residences need additional weatherization and that over 100,000 residences require substantial energy conservation improvements. It is projected that over 80% of the housing units to be occupied in the year 2000 have already been constructed. For this reason, an accelerated conservation program for existing residences is essential.