



NATIONAL ASSOCIATION OF REALTORS®

*The Voice For Real Estate®*

500 New Jersey Avenue, N.W.  
Washington, DC 20001-2020  
202.383.1194 Fax 202.383.7580  
[www.realtors.org/governmentaffairs](http://www.realtors.org/governmentaffairs)

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November 11, 2010

Nancy Sutley, Chair  
Council on Environmental Quality  
722 Jackson Place, NW  
Washington, DC 20503

Dear Ms. Sutley:

The National Association of REALTORS® (NAR) welcomes the opportunity to provide comments on the most recent actions of the Middle Class Task Force to enhance energy efficiency in homes.

On Tuesday, November 9, Vice President Joe Biden joined U.S. officials and federal agency secretaries to announce the implementation of several components of the Recovery Through Retrofit initiative. Last year when he introduced this initiative, the Vice President challenged an interagency taskforce to develop methods to encourage the development of a market for voluntary energy efficiency improvements. Yesterday's announcement fulfills the Vice President's request. Two of these initiatives are of special interest to NAR.

### **1. Pilot Program for Home Energy Score Software**

Vice President Biden and the U.S. Department of Energy (DOE) Secretary Steven Chu announced the development of a new computer software program for use by localities and states to help assess the energy efficiency of a home. This new energy audit tool would be tested this fall through a pilot program in selected communities across the country before making the voluntary program available everywhere. Under this voluntary pilot program energy auditors, who would be certified and trained by the city or state, would be able to walk through and collect data about a home's energy features, from the HVAC system to windows. The software would then produce a "home energy score," including:

- An estimate of how much money could be saved by making energy retrofits.
- A personalized list of recommended improvements, with estimated annual savings and an estimated payback period for each upgrade; and
- A Home Energy Score between 1 and 10, which will help homeowners understand their home's current efficiency level and how it compares to other homes in the area.

## NAR Response

NAR has repeatedly raised concerns with the Administration questioning both the reliability and accuracy of such a home energy rating system to precisely capture the wide diversity of homes and human energy use patterns. However, we are pleased the Administration addressed some of these concerns by:

- Reducing the scoring scale to 10 points rather than 100, thereby avoiding the appearance of a level of precision that current technology is not capable of achieving;
- Providing an “asset” rating—i.e., a rating based on measurable, fixed features of a home (such as appliances)—rather than attempting to predict human behavior, and
- Establishing a pilot—not a permanent, nationwide—program to test the viability of this software tool and how it will be used by home owners.

NAR has also raised concerns about the potential for misuse of such information in the home selling process. While this pilot program has been linked to tax incentives, rather than at point of sale, and narrowed to only a few communities for testing on a voluntary, pilot basis, we continue to have significant reservations and will work with the Administration to evaluate this pilot program and ensure that the information is used appropriately and does not stigmatize or obstruct the sale of older homes.

## 2. Power Saver Loan Program

Vice President Joe Biden and U.S. Housing and Urban Development (HUD) Secretary Shaun Donovan announced a new pilot program that will offer credit-worthy borrowers low-cost loans to make energy-saving improvements to their homes. Backed by the Federal Housing Administration (FHA), these new *FHFA PowerSaver* loans will offer homeowners up to \$25,000 to make energy-efficient improvements of their choice. Although more homeowners are interested in making their homes energy efficient, options are limited for financing home energy improvements, especially for the many homeowners who are unable to take out a home equity loan or access an affordable consumer loan. The *PowerSaver* loan provides lenders with a new product option to serve a potentially growing market. Lenders will be selected to participate in the *PowerSaver* pilot based on their capacity and commitment to provide affordable home energy improvement financing. Lenders will be required to serve communities that have already taken affirmative steps to expand home energy improvements. HUD will help lenders identify such markets—which exist in many suburban, rural and urban areas across the country.

*PowerSaver* loans will be backed by the FHA—but with significant “skin in the game” from private lenders. FHA mortgage insurance will cover up to 90 percent of the loan amount in the event of default. Lenders will retain the remaining risk on each loan, incentivizing responsible underwriting and lending standards. FHA will provide streamlined insurance claims payment procedures on *PowerSaver* loans. In addition, lenders may be eligible for incentive grant payments from FHA to enhance benefits to borrowers, such as lowering interest rates.

## NAR Response

While NAR generally supports FHA pilot programs, there are many questions that need to be answered and should be assessed during the pilot phase. Some of these questions include: how many

lenders will be interested in participating in the program? If lenders do agree to participate in the program, will they only loan to the most credit worthy homeowners, meaning that most low-income homeowners—those with the most need for home energy efficiency improvements—will be left out of the program? If this is the case, this lending pattern will result in high-income homes being even more energy and cost efficient and homes owned by low-income families being even more costly and less energy efficient. How does HUD/FHA intend to mitigate the affordability and equity concerns of this program?

NAR appreciates the opportunity to provide the CEQ our perspectives on the most recent Recovery Through Retrofit initiatives, and looks forward to working with the Administration to develop voluntary, cost-effective ways to help homeowners make their homes more energy efficient.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron Phipps", with a long, sweeping flourish extending to the right.

Ron Phipps, ABR, CRS, GRI, GREEN, e-PRO  
2011 President  
National Association of REALTORS®

Cc: David H. Stevens  
Assistant Secretary for Housing, Department of Housing and Urban Development  
Commissioner, Federal Housing Administration