



**Department of Energy**  
Washington, DC 20585

**STATE ENERGY PROGRAM NOTICE 12-002**  
**EFFECTIVE DATE: JUNE 4, 2012**

**SUBJECT: GUIDANCE FOR STATE ENERGY PROGRAM GRANTEES ON INTEREST RATE BUY-DOWN PROGRAMS.**

**PURPOSE**

To provide guidance to the Department of Energy's (Department or DOE) State Energy Program (SEP) grantees on financing programs. This guidance supplements and clarifies the SEP Program Notice 10-008C (effective date March 14, 2011) with regard to interest rate buy-downs.

**SCOPE**

The provisions of this guidance apply to grantees of SEP funds, pursuant to Formula Grant or American Recovery and Reinvestment Act of 2009 (Recovery Act).

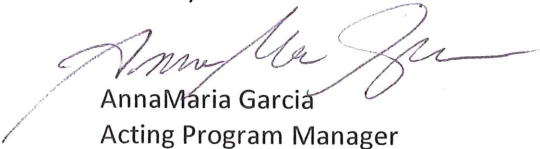
**LEGAL AUTHORITY**

SEP is authorized under the Energy Policy and Conservation Act, as amended (42 U.S.C. § 6321 et seq.) All grant awards made under this program shall comply with applicable law including the Recovery Act and other procedures applicable to this program.

**GUIDANCE**

SEP Program Notice 10-008C<sup>1</sup> provides guidance on the use of SEP funds for financing programs, including programs that leverage funds through the use of SEP funds for interest rate buy-downs.

This guidance document clarifies that the association of a potential revenue stream with an interest rate buy-down, in and of itself, does not alter the characterization of the use of funds as an interest rate buy-down. The subject conditions for interest rate buy-downs identified in SEP Program Notice 10-008C would continue to be applicable. Additionally, this document clarifies that following application to a specific loan, the Federal character of funds used for an interest rate buy-down is severed.

  
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<sup>1</sup> [http://www1.eere.energy.gov/wip/pdfs/sep\\_financing\\_guidance\\_2011-03-15.pdf](http://www1.eere.energy.gov/wip/pdfs/sep_financing_guidance_2011-03-15.pdf)