

PowerSaver Q & A's

December 15, 2011

Q1. Does PowerSaver permit radon remediation measures using the 25% loan portion allotted for discretionary improvements?

A1. Yes. Radon remediation is an acceptable improvement for the 25% portion of PowerSaver loan funds. The radon remediation improvements must be attached and permanently affixed to the home. Lenders should ascertain whether remediation efforts are made in accordance with types of reduction methods discussed in the EPA' A Consumer's Guide to Radon Reduction: <http://www.epa.gov/radon/pubs/consguid.html#othertypes>

Q2. Are Power Purchase Agreements eligible for PowerSaver financing?

A2. Power Purchase Agreements are not on the list of [Eligible Improvements and Standards](#), and at this time are not eligible for PowerSaver financing.

Q3. Is it permissible to use PowerSaver loans to finance the entire cost of a lease for solar equipment that provides power to the home?

A3. HUD has determined that PowerSaver funds can be used to pay the full cost to prepay a lease for solar equipment, with the following rules:

1. The lease must be for the lease of solar equipment, not for the purchase of power or energy.
2. The Title I loan term must be the same as, or less than, the lease term.
The solar lease must show the total dollar cost of the entire lease term, and that amount must be paid in full with PowerSaver loan, and borrower assets if applicable.
3. The lease must provide for successors-in-interest (permitting transfer of lease to any future home owner)
4. The lease must clearly disclose potential future costs, and state what options are available to the lessee at end of lease term, such the purchase, or return of equipment.

Q4. What is the maximum loan term permitted if the improvements fall into both renewable and standard categories?

A4. As long as one of the improvement made with PowerSaver financing is categorized as "renewable" on the [Eligible Improvements and Standards](#) , and meets the corresponding energy standard, the loan term can be as long as 20 years.

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Q5. The chart of Eligible Fees attached to the PowerSaver Guide indicates other fees may be permissible. Would HUD permit a fee for processing the borrower in a buydown program administered by a local energy program?

A5. HUD will consider acceptability of a third-party administrative fee for the borrower's participation in a buydown program. HUD's expectation is that the benefit to the borrower from the buydown will far exceed the fee charged. At this time, HUD would like to review and approve all "other" fees. Please submit requests for approval of other fees to Patricia.A.McBarron@hud.gov, along with information about the fee's purpose, recipient, and any other pertinent details.

Q6. Does the PowerSaver program allow sweat-equity?

A6. Borrowers who are deemed professionally qualified to complete the proposed improvements are permitted to make the improvements themselves. However, only materials may be financed into the loan. The cost of labor cannot be financed into the loan amount. Reference 201.20(b) of 24 CFR.

Q7. How should lenders determine an eligible market, if not clearly defined on the Better Buildings (BB) or Home Performance with Energy Star (HPwES) web pages?

A7. If the property location is not clearly defined in a BB project area or HPwES area, the lender should:

- a.** Contact the listed program representative to see if further clarity can be determined.
- b.** Lenders may also determine location eligibility - include documentation in the file that supports reason(s) for lender's determination that property is in an allowable area. For example, if a BB project is in the "Richmond" area, the loan file should contain documentation (e.g. notes, web address) to support that the property is located within Richmond planning district.

HUD will exercise flexibility when the file contains reasonable support for questionable areas.

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Q8. When a contractor is involved, should the loan funds be payable to the borrower, the contractor, or both parties?

A8. The Title I process for direct loans provides for disbursement of the loan funds directly to the borrower. In this case, the borrower would be responsible for paying the contractor. However, lenders are permitted to overlay this process with their own policies and procedures if they choose to do so by disbursing funds payable to the borrower and contractor.

Q9. Will the lender have the flexibility to establish term restrictions less than 15 years for smaller dollar amounts?

A9. Yes, to some degree. "The term of a property improvement loan shall be not less than six months." [Reference: 24 CFR 201.11 (a)] Other than the 6 month minimum, lenders and borrowers may choose terms less than 15 years (or 20 years for renewable upgrades).

Q10. Is there an exception process to increase the maximum loan size of \$25,000 for higher priced energy efficiency measures (e.g. solar panels)?

A10. The maximum loan size is limited by statute, to \$25,000.

Q11. The maximum loan size is \$25,000, but is there a minimum loan size?

A11. There is no minimum loan size. In fact, the regulation requires that lenders may not establish a minimum loan size. [Reference: 24 CFR 201.10(g)]

Q12. Please confirm that the FHA PowerSaver Program allows only fixed-rate and fixed-term loans, and does not permit lines of credit with variable rate or a maturity date.

A12. FHA PowerSaver loans must be fixed-rate and have a fixed term. [Reference: 24 CFR 201.13]

Q13. Can lenders charge interest on loan funds, even though funds have not been fully disbursed?

A13. Interest may be charged on the entire loan amount from the date of loan closing, regardless of the date(s) of actual disbursement.