

# H. R. 6920

To authorize the Secretary of the Treasury, on an emergency basis, to guarantee loans made by depository institutions during the 2008-2009 heating season to eligible consumers, under certain conditions, for home heating purchases and repairs, and for other purposes.

## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 17, 2008

Mr. KANJORSKI introduced the following bill; which was referred to the Committee on Financial Services

### A BILL

To authorize the Secretary of the Treasury, on an emergency basis, to guarantee loans made by depository institutions during the 2008-2009 heating season to eligible consumers, under certain conditions, for home heating purchases and repairs, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### **SECTION 1. SHORT TITLE.**

This Act may be cited as the "Home Heating Loan Guarantee Act of 2008".

#### **SEC. 2. FINDINGS.**

The Congress finds as follows:

- (1) Heating oil, propane, and natural gas help to keep 70 percent of United States households warm.
- (2) For 8,000,000 homes alone in the United States, heating oil is the primary source of heating and 6,200,000 of those homes are in the Northeast, including the Central Atlantic States.
- (3) Over the last year and a half, the retail cost of heating oil has nearly tripled, as follows:
  - (A) In January 2007, a gallon of heating oil cost \$1.59.
  - (B) By autumn of 2007, the cost of 1 gallon was \$2.75.
  - (C) From October 2008 through March 2009, heating oil is projected to average \$4.13 per gallon, an increase of about 25 percent over last winter.
  - (D) Increases in natural gas and propane prices this winter are also projected.
- (4) Many homeowners, already strapped financially, simply will not be able to heat their homes this winter.

- (5) In Northeastern Pennsylvania this winter, the average homeowner who uses 950 gallons of home heating oil will have to pay between \$3,000 to \$4,000 for heating.
- (6) While the Low Income Home Energy Assistance Program operated by the Secretary of Health and Human Services through the Administration for Children and Families (the program is commonly referred to as "LIHEAP") is a big help to consumers, the Program by itself is not enough to meet the challenge and the Congress should act to increase its funding as a separate matter.
- (7) Heating oil dealers have faced and will continue to face tremendous stress because of the price increase.
- (8) Home heating oil dealers suffered cash flow problems in the Winter of 2007-2008 and, with such large price increases, the problems will only get worse in the Winter of 2008-2009.
- (9) In the usage of trade in the home heating oil supply and distribution system, home heating oil dealers must typically pay suppliers within 10 days of delivery of oil.
- (10) If customers cannot make timely payments to dealers, dealers, in turn, lack the cash to pay suppliers to keep supplies flowing to consumers.

### **SEC. 3. GUARANTEED DEPOSITORY INSTITUTION LOANS TO HOME HEATING SUPPLIERS.**

(a) Definitions.—For purposes of this section, the following definitions shall apply:

- (1) CONSUMER.—The term "consumer" means an individual or household who acquires goods or services from a home heating supplier primarily for personal, family, or household purposes.
- (2) DEPOSITORY INSTITUTION.—The term "depository institution" has the same meaning as in section 19(b)(1)(A) of the Federal Reserve Act.
- (3) ELIGIBLE CONSUMER.—The term "eligible consumer means" means any individual or household whose household income for the last year ending before any receiving any loan under this section did not exceed an amount equal to 150 percent of the national median household income for such year.
- (4) QUALIFIED HOME HEATING LOAN.—The term "qualified home heating loan" means an unsecured consumer loan to an eligible consumer that is made for the sole purpose of paying a home heating supplier for home heating supplies delivered by such supplier (or to be delivered), or repairs made by the supplier to broken home heating equipment or leaking or frozen lines, during the 2008-2009 home heating season.
- (5) HOME HEATING SUPPLIER.—The term "home heating supplier" means a business engaged in retail distribution of heating oil, propane, or natural gas to consumers.
- (6) SECRETARY.—The term "Secretary" means the Secretary of the Treasury.

(b) Loan Guarantees Authorized.—Subject to the requirements of this section and to the extent and in such amounts as are provided in advance in appropriation Acts, the Secretary may guarantee

qualified home heating loans made by depository institutions during the 2008-2009 home heating season when the Secretary determines that such action is necessary to minimize disruptions in the supply and distribution of home heating resources due to the inability of customers of the suppliers to pay for home heating supplies delivered by such supplier or repairs made by the supplier to broken home heating equipment or leaking or frozen lines.

(c) Terms and Conditions.—

- (1) ANNUAL PERCENTAGE RATE.—The interest imposed on any qualified home heating loan that is guaranteed by the Secretary under this section shall be at a fixed rate and the annual percentage rate (as determined in accordance with the Truth in Lending Act) with respect to such loan may not exceed 5 percent.
- (2) ORIGINATION FEES.—The total amount of loan origination fees imposed in connection with any qualified home heating loan that is guaranteed by the Secretary under this section, in accordance with regulations which the Secretary shall prescribe, may not exceed an amount equal to 1 percent of the principal of the loan.
- (3) MAXIMUM LOAN AMOUNT.—The amount of any credit extended under any qualified home heating loan that is guaranteed by the Secretary under this section may not exceed \$5,000.
- (4) REPAYMENT PERIOD.—Any qualified home heating loan that is guaranteed by the Secretary under this section shall be fully amortized under a repayment schedule that requires full repayment before the end of the 2-year period beginning on the date the loan is consummated.
- (5) OTHER TERMS AND CONDITIONS.—The Secretary may establish by regulation such additional terms and conditions that shall apply with regard to qualified home heating loans as the Secretary may determine to be appropriate.

(d) Provisions Relating to Program.—

- (1) DISTRIBUTION OF PROCEEDS.—To accelerate the distribution of loan proceeds and limit fraud, the Secretary may require, by regulation, that the proceeds of a qualified home heating loan to be disbursed directly to a home heating supplier designated by the consumer, except that the Secretary may also require that the consumer cosign for any disbursement of such proceeds when necessary for the protection of consumers.
- (2) BACKGROUND CHECKS.—The Secretary may take such action as appropriate, or require such verification by a depository institution as appropriate, to ascertain—
  - (A) the character and creditworthiness of a home heating supplier, including any owner or managing directors or employees of the supplier, and any consumer seeking to qualify for a home heating loan; and
  - (B) the effectiveness of the consumer operations of the home heating supplier established to meet the requirements of the Secretary under paragraph (1).
- (3) OVERALL LOAN LIMITS.—The Secretary may, by regulation establish such criteria and requirements, as the Secretary may determine to be appropriate with respect to—

- (A) the total number of loans or the aggregate loan amounts guaranteed under this section that are made to customers of any single home heating supplier or by any depository institution; and
  - (B) the total number of loans or the aggregate loan maximum loan amounts guaranteed under this section that are made to customers of home heating suppliers, or by depository institutions, operating in a geographical area or region as the Secretary may prescribe.
- (4) SELF-CERTIFICATION.—To expedite implementation of the program, a depository institution may self-certify that any consumer loan and any consumer meets the eligibility standards for a qualified home heating loan in order to obtain the guarantee with respect to a home heating loan to such consumer, except that any guarantee of such loan shall be subject to a demonstration by such depository institution that the loan actually met such eligibility standards if the depository institution submits a claim to the Secretary with regard to such guarantee in the event of nonpayment by the consumer.
- (e) Enforcement.—The Secretary may exercise any power or authority of the Secretary arising under any other provision of law, including section 5318 of title 31, United States Code, to carry out this section and enforce any provision of this section or any requirement or obligation arising under this section or any regulation prescribed under this section.