

NEWS FOR REALTORS AND CONSUMERS



New Air Conditioning Mandates

In keeping with our ongoing efforts to advise real estate professionals and their clients of events that may effect them, the NHSCA reminds everyone that effective January 23, 2006, new federal mandates will require all manufacturers of air conditioning equipment and heat pump systems to comply with strict energy efficiency standards.

Recognizing that home service contracts (home warranties) are now demanded and popular nationwide, member firms of NHSCA have taken the responsibility to be proactive in evaluating the impact of these new requirements. In general, once the supply of air conditioning equipment rated less than 13 SEER is depleted and no longer available, or when an air conditioning system breakdown occurs that cannot otherwise be repaired, a company will replace such equipment with 13 SEER rated equipment subject to the specific coverage and limitations of the plan.

The additional costs for this new equipment are substantial. Each member company of NHSCA is evaluating the impact of the new mandates to its operations and services. It is likely that all home service contract (home warranty) companies will pass through a portion of this additional cost in the form of price/deductible increases, etc. As the cost of heating and air conditioning equipment increases, the value of home service contracts becomes more evident. Unless otherwise provided in the plan, most modifications or code work

necessary as a result of the new standards will continue to be at the plan holder's expense, as is standard in the industry.

We believe that the participation of NHSCA member companies in reviewing and communicating the effects of this federally mandated change to the consumer is another example of the value of home service contract coverage.

As always, it is our goal to ensure that our customers receive the finest coverage at the best possible price from our member companies. We appreciate your continued support.

The following are general highlights of the new requirements:

- As of January 23, 2006, the U.S. Department of Energy is requiring that all newly manufactured air conditioning components meet a minimum rating known in the industry as “**13 SEER.**”
- The **SEER rating** refers to the energy efficiency of the air conditioning component. The purpose of this new law is to reduce national energy consumption; the *higher* the SEER number, *the less energy* the air conditioning system uses.
- Most existing homes air conditioning systems are rated at *less than* 13 SEER. This means that once the supply of compatible equipment is depleted, and if the existing air conditioning system cannot be repaired and must be replaced, the replacement system must be upgraded to 13 SEER.
- Air Conditioning replacement costs will increase.
- This new requirement will significantly increase the cost of A/C replacements on existing homes. 13 SEER equipment is approximately 40% more expensive, and in many cases, may require extensive modifications to the home.
- Virtually all existing home service contracts specifically exclude upgrades and modifications necessary to comply with government regulations. 13 SEER upgrade costs are not currently covered.
- If you sell or buy a house with air conditioning, be aware that older homes have older air conditioning units and are more likely to need replacement, and less likely to have existing 13 SEER units. Equally true is that lower cost homes are less likely to have existing 13 SEER units.

- Larger, heavier, expensive A/C condensers are needed.
- An upgraded coil may be necessary to be compatible with the new condenser.
- A thermal expansion valve (“TXV”) or other metering device may need to be installed if using an existing coil.
- Copper line set plumbing may need to be replaced.
- 40% more Freon is necessary to charge system
- A larger coil may require sheet metal/transition changes
- Larger, heavier units may necessitate re-locating a unit and plumbing/electrical to the unit.
- Larger, heavier units may require structural changes to support the unit or to allow access to the unit (especially for roof and attic mounted units).
- Larger, heavier units may require a new stand or pad for the condenser.
- Large units mean higher transportation and labor installation costs.
- The cost of replacing an air conditioning condenser and/or coil will approximately double, and in some cases, require extensive additional modification costs.
- The higher efficiency units demand a very clean system, and may necessitate additional cleaning costs.
- More efficient condensing units require a new thermostat to be installed.

13 SEER represents a new federal mandate for national energy efficiency standards. Our federal government has determined the energy savings and benefits to all of us are worth the costs. We want everyone to be aware of and understand these costs. If you have questions, call

Our appreciation to the The Home Warranty Association of California for their help in preparing this message.

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