

Legislative Costing Note

This is an independent cost estimate of a budgetary measure contained in the federal government's Budget 2021. A list of the PBO's cost estimates of components of the Budget can be viewed on [its website](#).

Publication Date: 2021-06-23

Short Title: Interest-free Loans for Home Retrofits

Description: This measure offers up to \$40,000 in interest-free loans to eligible homeowners and landlords to complete deep home retrofits recommended through an authorized EnerGuide energy assessment.

This measure builds on a program put forward in the 2020 Fall Economic Statement, which provided funding for up to one million free energy audits and up to 700,000 grants of up to \$5,000 for homeowners to complete energy efficient home improvements.

Data Sources:	Variable	Source
	Loan Disbursement Profile	EcoEnergy Home Retrofit Program Grants, Public Accounts of Canada 2008-2012
	Loan Default Rate	Canadian Bankers Association, Number of Mortgages in Arrears, 2011-2020
	Interest Costs	PBO Economic and Fiscal Projection
	Operating Costs	Innovation, Science, and Economic Development Canada, Canada Small Business Financing Program Evaluation Report, 2019

Estimation and Projection Method: Total loan amounts over the 5-year program period were based on the program's stated cash profile, net of operating and loan disbursement expenses. Yearly loan amounts were projected using the uptake profile from the 2008-2012 (Fiscal Years) EcoEnergy Home Retrofit program. Loan repayment was assumed to be evenly distributed throughout a 10-year period, with payments beginning exactly one year from the date of the initial loan.

Interest costs paid by the government were calculated using projected outstanding loan amounts and a blended average of PBO projections of Canada's 10-year bond and 90-day bill rates. Costs associated with Loan Loss Provisions were calculated using a 10-year average of mortgage default rates, with costs being spread evenly over the course of the program's repayment period.

Operating costs were calculated using the ratio of operating costs to loan costs for the Canada Small Business Financing Program. Additional administrative costs were assumed to be small relative to other cost categories.

Sources of Uncertainty: The loan disbursement and operating cost profiles were based on historical data for similar programs. Loan default rates were assumed to be similar to historical mortgage default rates. Total interest costs are sensitive to fluctuations in the government's cost of borrowing.

Prepared by: Christopher E. Penney <Christopher.Penney@parl.gc.ca>

Cost of proposed measure

\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Total cost	24	16	56	95	98

Supplementary information

\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Subsequent Years
Interest Costs	-	2	13	38	65	321
Loan Loss Provision	-	-	-	1	2	8
Operating Costs	24	14	42	56	31	26

Notes

- Estimates are presented on an accruals basis as would appear in the budget and public accounts.
- Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.
- "-" = PBO does not expect a financial cost.

© Office of the Parliamentary Budget Officer, Ottawa, Canada, 2021