

Federal Mandated AC Changes

Effecting Air Conditioning Replacement Coverage Effective January, 2006

There is a significant change that will impact our industry and it relates to a Federal Mandate regarding the energy efficiency of Air Conditioning replacements. After January, 2006, all air conditioning systems that are manufactured must be 13 SEER units. The SEER rating equates to energy efficiency; prior to this mandate, the industry standard was a 10 SEER unit. The higher the SEER rating, the more efficient the unit.

Some anticipated problems are that roof units will be bigger and heavier and may require additional structural support; there may not be enough room in some attics for the new, larger units. Home warranty companies will not cover the modifications required to provide adequate space and/or structural support; it will be the responsibility of the homeowner to make the required modifications prior to the installation of the new unit. In these cases, THE HOMEOWNER WILL HAVE SIGNIFICANT INCREASED COSTS and possibly significant delays as they make required modifications.

More than ever, a home warranty is critical to the real estate transaction. With increases of 30-60% at retail in the replacement cost for an energy efficient air conditioning unit, a Home Warranty Plan will save homeowners even more money!

Homebuyers Information Sheet

Notice to Prospective Real Estate Buyers
Federal mandated changes effective January, 2006

Questions to ask your inspector:

1. Will a replacement unit fit into the existing space?
2. The 13 Seer unit is heavier. Will the new unit need structural support?
3. How old is the current unit?
4. Does the current unit comply with the new federal mandate?
5. Is the A/C and heating unit the proper size for the residence?
6. Maintenance Items:
 - a. Is the coil clean?
 - b. Is the filter OK?
 - c. Have the primary and secondary drains been cleaned?

If the ducts need replacing, they must comply with the 13 Seer rating. Also, mismatched A/C and heating systems will affect the manufacturer's warranty.

For further information contact a *licensed* A/C and heating professional to answer questions regarding the new federal mandate and how it may affect your home purchase.

Frequently Asked Questions about Federally Mandated, Energy Efficient Air Conditioning Requirements effective January, 2006

Will my existing air conditioning system still be legal after the new federal mandate goes into effect?

Yes, all air conditioning systems manufactured prior to January, 2008 will still be legal, the federal mandate calls for energy efficient units to be manufactured after that date; eventually the older, less efficient units will be replaced over several years as they wear out.

If after the federal mandate goes into effect a home covered by the warranty requires replacement of the air conditioning system with a new energy efficient unit, will the warranty company pick up all of the costs associated with the replacement and installation?

No. After the mandate goes into effect, the warranty company will pick up the very significant cost associated with the purchase and installation of the energy efficiency unit, however, since the new units are significantly larger and heavier than the older units, there may be significant cost to the homeowner to create access, modify existing components and/or alter structure to accommodate the new unit.

When the mandate goes into effect can there be delays in the installation of the new energy efficient air conditioning units?

Yes. Since in many cases the homeowner will have to alter the structure to handle the weight of the new unit, or accommodate the larger size of the new unit, this may create delays in installation. In addition, while not currently anticipated, some HVAC manufacturers may incur short term factory shortages of the new air conditioning units which may result in delays in installation.

After the mandate goes into effect, if my existing air conditioning unit can be repaired, will the warranty replace it with a new energy efficient unit?

No, as has always been the case with the warranty, if the existing unit can be repaired, it will not be replaced; however, if a repair will not restore the unit to good, safe working order, then it will be replaced.

Why is the price of the home warranty going up?

The new energy efficient units may cost up to 80% more to purchase and install than the units that they will replace. While the warranty company will absorb the majority of this additional cost, it must pass along some of the cost in the purchase price.

If the mandate goes into effect in January, 2006, why is the price going up now?

The warranty is valid for a full year, the air conditioning systems in warranties purchased now will be subject to the new federal mandate if they have to be replaced after January, 2006.

If my unit must be replaced prior to January 2006, will the warranty company put in a new energy efficient unit?

No, the warranty company will replace it with a unit with the same functionally equivalent features up until the new mandate goes into effect. The units utilized will be the same high quality that have historically been purchased from the manufacturer and perform as required to provide air conditioning to the home.

If after the effective date of the federal mandate the air conditioning system must be replaced, if the warranty was purchased prior to the new pricing, will the warranty company deny the claim as a not covered upgrade?

No, if the air conditioning unit must be replaced after the date of the federal mandate, even though the contract was not priced to include the cost associated with compliance with the new units required by the mandate, First American will replace with an energy efficient air conditioning unit during the remaining term of that contract.