

In recent years, hundreds of communities have been working to promote home energy upgrades through programs such as the Better Buildings Neighborhood Program, Home Performance with ENERGY STAR®, utility-sponsored programs, and others. Following are some of the key lessons learned from these programs about helping customers pay for home energy upgrades. Learn more by exploring the Better Building Residential Program Solution Center and joining the Better Buildings Residential Network.

Offer financing to attract attention, but sell on the benefits of upgrades

Low-cost financing for home energy upgrades does not increase customer demand for upgrades on its own. Homeowners must first be sold on the benefits of home energy upgrades before financing can become valuable to them. Programs interested in achieving high loan volume have promoted access to low-cost financing as part of a broader effort to make upgrades an attractive and worthwhile investment.

The EnergySmart program in Boulder, Colorado, found that access to low-interest financing alone did not sell home energy upgrades to homeowners. Instead, the program focused on messages that raised awareness of homeowner benefits, such as better comfort, improved health and safety, and lower energy bills. Using energy advisors, the program also helped homeowners understand their upgrade and financing options and navigate the upgrade process. By helping homeowners understand the benefits of energy efficiency investment, EnergySmart issued over \$1.7 million in energy loans and supported the completion of upgrades in more than 4,100 homes over three years.

Engage with potential lending partners early, and make a clear business case for their involvement

Some lenders perceive home energy lending to be too risky or not profitable enough for them to get involved. Programs have found that engaging potential lending partners early in the program design process, especially in face-to-face meetings, helped them understand both lender needs and the risks and opportunities of different financing strategies. This approach allows programs to make the business case for lender involvement, which can include cross-selling other financial products, low default rates, and low customer acquisition costs.

Local Energy Alliance Program (LEAP) in Charlottesville, Virginia, had several conversations with the University of Virginia Community Credit Union to demonstrate the energy and cost savings potential for customers and to explain the benefits of becoming a lending partner. The program infrastructure—such as a list of eligible measures, a registered contractor network, and quality assurance policies—helped convince the credit union of LEAP's ability to generate customer demand for energy efficiency financing. The credit union decided to establish a Green \$ense loan product tailored for program participants and to sponsor the FHA PowerSaver loan with assistance from LEAP.

Streamline the financing process with easy loan applications and quick approvals

Complicated loan and program application processes have deterred many potential customers from following through with an upgrade. Delays and overly burdensome requirements are barriers to participation. Many programs have successfully employed strategies to reduce the number of requirements that homeowners must meet in order to receive a loan, and to speed the processing of loan applications so projects can proceed quickly once a homeowner decides to move forward.

Pennsylvania's Keystone Home Energy Loan Program, administered by AFC First Financial Corporation in partnership with EnergyWorks Philadelphia and the Pennsylvania Treasury Department, worked with multiple lenders to provide quick-approval, unsecured, energy efficiency loans up to \$15,000, often within two hours of receiving the application.

This speed was accomplished by underwriting based on a minimum credit score, 50% debt ratio requirement, and income and employment information that did not require employer verification. These and other underwriting criteria allowed AFC First to streamline the application procedure while keeping a low default risk. Between 2010 and 2013, 70% of loan applicants were approved, and EnergyWorks helped finance over 1,900 upgrades, totaling more than \$17 million.

Help contractors understand the program's financing options and benefits, so they can communicate them to homeowners

Homeowners do not benefit from access to financing if they don't know about or understand options available to them. Contractors are often the primary transaction point for selling upgrades, and many programs have found that ongoing collaboration with contractors—through sales training, regular meetings, and requests for feedback—can foster greater understanding and sales of program loan products. Working with contractors to integrate financing into their energy upgrade conversation with homeowners the home performance sales process also prevents financing from becoming another complicated decision point for customers.

The ShopSmart with JEA program in Jacksonville, Florida, helped Jax Metro Credit Union (JMCU) organize regular meetings, as well as lunch-and-learn opportunities, to introduce contractors to the loan options available. The credit union also did outreach to contractors and contractor associations in the community, recognizing that the contractors could play an important role in selling the loan product. The relationship took about 14 months to develop. Between 2010 and 2012, ShopSmart with JEA completed 206 residential upgrades, and JMCU financed nearly 90% of them, worth more than \$1.2 million.

Consider tiered financing or rebates to encourage deeper upgrades

Without incentives or loans, homeowners and contractors may limit themselves to smaller upgrade projects. Programs in search of more energy savings have found that some homeowners already interested in an upgrade are amenable to a bigger upgrade when it is coupled with better financing terms or larger rebates. To encourage deeper upgrades, many successful programs have offered tiered levels of financing or rebates, with terms and amounts that grow more favorable as more energy savings are sought.

Clean Energy Works (CEW) initially launched its program with aggressive incentives to generate interest in the program, and early adopters were quick to apply. In 2011, CEW based incentives on projected energy savings: \$3,200 for savings of 30% or more, \$2,200 for 20-30% savings, and \$1,500 for 15-20% savings. CEW has since lowered their incentives, but the tiered structure encouraged customers to aim high and helped contractors encourage a more comprehensive scope of work. Approximately 85% of participants reach the 30% projected savings goal. In addition to cash incentives, program participants have access to low cost-financing, through CEW's network of lending partners, to pay the balance of project costs. Between March 2011 and December 2013, CEW with lending partner Craft3 completed more than 2,600 loans valued at \$33.4 million.

The [Better Buildings Residential Program Solution Center](http://energy.gov/rpsc) (energy.gov/rpsc) is a repository of key lessons, resources, and examples collected from the experience of hundreds of communities working to promote energy efficiency upgrades in homes. It helps program administrators and their partners plan, operate, and evaluate residential energy efficiency programs..

Join the [Better Buildings Residential Network](http://betterbuildings.energy.gov/bbrn) (betterbuildings.energy.gov/bbrn) to connect with fellow energy efficiency programs and partners. Share best practices and learn from one another through regular peer exchange calls, an online discussion forum, and other resources.