



Better Buildings Residential Financing Peer Exchange Call Series: *Opportunities through the PowerSaver Loan Program*

January 23, 2014

Call Slides and Discussion Summary

Agenda

- Call Logistics and Introductions
- BBRN and Peer Exchange Call Overview
- Featured Speakers
 - Department of Housing and Urban Development (HUD)
 - National Renewable Energy Lab (NREL)
 - Efficiency Maine
- Discussion
- Future Call Topics Poll

Call Participants

- AFC First
- Austin, TX
- Boulder, CO
- Burlington, VT
- Chicago, IL
- Clinton Foundation
- Craft3
- Department of Housing and Urban Development (HUD)
- Institute for Market Transformation
- Los Angeles, CA
- Maine
- National Renewable Energy Lab (NREL)
- New Orleans, LA
- Nevada
- Philadelphia, PA
- Seattle, WA
- Spirit Foundation
- Texas Veterans Land Board

Better Buildings Residential Network

- **Better Buildings Residential Network**: Connects energy efficiency programs and partners to share best practices to dramatically increase the number of American homes that are energy efficient.
 - Membership: Open to organizations committed to accelerating the pace of existing residential upgrades. Commit to providing DOE with annual number of residential upgrades, and information about benefits associated with them.
 - Benefits:
 - Peer Exchange Calls
 - Tools, templates, & resources
 - Newsletter updates on trends
 - Recognition: Media, materials
 - Optional benchmarking
 - Residential Solution Center

For more information & to join, email bbresidentialnetwork@ee.doe.gov.

- **Better Buildings Residential Network Group on Home Energy Pros**

Join to access:

- Peer exchange call summaries and calendar
- Discussion threads with energy efficiency programs and partners
- Resources and documents for energy efficiency programs and partners

<http://homeenergypros.lbl.gov/group/better-buildings-residential-network>

Better Buildings Residential Network Group on Home Energy Pros Website

The screenshot shows a web browser window displaying the 'Better Buildings Residential Network' group page on the Home Energy Pros website. The browser's address bar shows the URL: `homeenergypros.lbl.gov/groups/group/show?groupUrl=better-buildings-residential-network`. The page features a header with the Better Buildings logo and a description of the network's purpose. Below this, there are sections for 'Helpful Links', 'Discussion Forum', 'Members (39)', 'Home Energy Pros', 'Latest Activity', and 'Pages (13)'. The 'Discussion Forum' section contains three posts, each with a title, a brief description, and a 'Continue' link. The 'Members' section displays a grid of 39 member avatars. The 'Home Energy Pros' section provides information about the organization and its partnership with Home Energy magazine. The 'Latest Activity' section shows recent group actions, such as members joining other groups. The 'Pages (13)' section lists various resources available to the group members. The browser's status bar at the bottom indicates 'Main Room' and 'Members Online (5)'.

Firefox Better Buildings Residential Network - H...
homeenergypros.lbl.gov/groups/group/show?groupUrl=better-buildings-residential-network
Most Visited

Better Buildings
U.S. DEPARTMENT OF ENERGY

The Better Buildings Residential Network connects energy efficiency programs and partners to share best practices and learn from one another to dramatically increase the number of American homes that are energy efficient.

Website: <http://betterbuildings.energy.gov/bbm>
Members: 39
Latest Activity: 6 hours ago

Join the conversations in the discussion forum below. Open the table of contents below and follow the links to access topical materials and resources.

Helpful Links

- Table of Contents
- Better Buildings Residential Network
- Better Buildings Neighborhood Program Website
- Home Performance with ENERGY STAR
- Home Energy Score

Discussion Forum

Show Your Customers How Much You Love Energy Efficiency
Valentine's Day is February 14. Is your organization celebrating the day with any thematic marketing campaigns? If you are looking for tips on using events to garner program interest, check out the Peer Exchange Call from November 2013, "Leveraging Holidays and Other Events."
[Continue](#)
Started by Better Buildings Support 6 hours ago.

Invite Your Colleagues to Join Home Energy Pros
We look forward to your participation in the Better Buildings Residential Network group. If you haven't already, [invite your colleagues](#) to join the conversation too.
[Continue](#)
Started by Better Buildings Support on Tuesday.

Help Your Customers Understand Heating Systems With Infographic
DOE's latest [Energy Saver 101 infographic](#) helps you share with your customers everything they need to know about home heating—from how heating systems work and the different types on the market to what to look for when replacing a system and proper maintenance....
[Continue](#)
Started by Better Buildings Support Jan 31.

Attend "Overcoming Persistent Barriers to Energy Efficiency in Multifamily Housing through Partnerships" Webinar
DOE's Technical Assistance Program is hosting a webinar addressing how through partnerships state energy offices can play a key role in enhancing and supporting

Leave Group

Members (39)

Home Energy Pros was founded by the developers of Home Energy Saver Pro (sponsored by the U.S. Department of Energy,) and brought to you in partnership with Home Energy magazine.

Latest Activity

What brings you here?

140 Share

Elizabeth Snyder joined James Sayers's group

Social Media and Energy Efficiency
Tell us how you reach customers, contractors and others using online social media.
[See More](#)
52 minutes ago
19

Elizabeth Snyder joined Evan Mills's group

Home Energy Ratings
Calculating them; visualizing them; explaining them; selling them ... there is a lot to discuss...
[See More](#)
52 minutes ago
9

Elizabeth Snyder joined Diane Chojnowski's group

Pages (13)

Tools
Better Buildings Network
[View](#)
Peer Exchange Call Schedule and Archive
Peer Exchange Archive:
Market
[Main Room](#)

Main Room Members Online (5)

Peer Exchange Call Series

- There are currently 6 Peer Exchange call series:
 - Data & Evaluation
 - Financing & Revenue
 - Marketing & Outreach
 - Multi-Family/ Low Income Housing
 - Program Sustainability
 - Workforce/ Business Partners
- Calls are held the 2nd and 4th Thursday of every month at 12:30 and 3:00 ET
- Upcoming calls:
 - Feb 13: Program Sustainability - Energy Efficiency Program Models for Local Government
 - Feb 13: Data & Evaluation - Cost-Effectiveness Tests and Measuring Like a Utility
 - Feb 27: How Can the Network Meet Your Needs?
 - Feb 27: Marketing & Outreach - Using Social Media for Long Term Branding
- Send call topic ideas or requests to be added to additional call series distribution lists to peerexchange@rossstrategic.com.

**Featured Speaker: Department of
Housing and Urban Development (HUD)**



FHA PowerSaver \$

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FHA HOME ENERGY IMPROVEMENT LOAN PILOT PROGRAM

JANUARY 23, 2014

HOME ENERGY IMPROVEMENTS

The need for affordable financing

- Helping homeowners make money-saving home energy improvements is a top priority of the Administration.
- Home energy improvements can save families hundreds of dollars a year – while creating jobs and reducing pollution.
- More home owners want to make home energy improvements, according to industry forecasts.
- But a lack of affordable, available financing remains a major barrier for many consumers.
- A market need exists for a financing option.

KEY FEATURES OF POWERSAVER

- Congress appropriated of \$25M to FHA's Single Family to catalyze innovations in the residential energy efficiency sector.
- FHA provides mortgage insurance to protect lenders in event of loan default.
- Grant incentives for lenders to participate and lower costs for consumers.
- **Two FHA PowerSaver programs:**
 - 1) Title I PowerSaver
 - FHA insures up to 90% of a Title I loan. \$
 - 2) Title II PowerSaver 203(k) \$
 - FHA insures up to 100% of Title II loan

TITLE I POWERSAVER HIGHLIGHTS

- **Loans amounts up to \$25,000 (< \$7,500 unsecured)**
- **Primarily a second trust loan program, but**
 - Can be in first position
 - Can be in third position only when the second trust was made for the home's purchase. There are other exceptions.
- **Use of loan funds:**
 - Minimum 75% of loan proceeds must be used for energy-saving improvements.
 - Maximum 25% of loan proceeds can be used for most other improvements.
- **Appraisal is not required**
 - Lenders may choose to require an appraisal according to their investor or risk requirements.

TITLE II POWERSAVER 203(K) HIGHLIGHTS

- 203(k) – refers to the section of the National Housing Act that authorizes FHA to insure loans for rehabilitating housing stock.
- Under 203(k), borrowers can get an FHA mortgage for:
 - ✓ the purchase or refinance of a home, plus
 - ✓ costs to rehab or improve the home.
- First trust lien position only
- Loan becomes a “PowerSaver” loan when at least \$3,500 of the home improvement project includes energy efficient improvements. \$

ELIGIBLE USES OF GRANT FUNDS INCLUDE

Borrower

- Energy audit, if borrower desires
 - Audit is not required
 - Auditor must be accredited for HERS or BPI
 - Auditor can be the contractor
- Loan origination fee
- Property appraisal if lender requires \$

Lender

- Program marketing expenses

TITLE I POWERSAVER ATTRIBUTES

Attribute	Eligible
Loan Amount Maximum	•\$25,000 (unsecured > \$7,500)
Loan Term	•15-years (standard energy improvements) •20-years (renewable energy improvements)
Combined-Loan-to-Value	•Not Required (Some lenders may still require)
Appraisal Type	•Not Required (Some lenders may still require)
Property Types	•Single Family detached •Attached dwellings •Condominiums <u>Ineligible:</u> •Co-operatives •Manufactured Homes
Number of Units	•One

TITLE I POWERSAVER ATTRIBUTES

Attribute	Eligible
Occupancy	<ul style="list-style-type: none"> •Owner-occupied <p><u>Ineligible</u></p> <ul style="list-style-type: none"> •Second Homes •Non-Owner-Occupied
Borrower Ownership	<ul style="list-style-type: none"> • 50 % interest minimum
Decision Credit Score	<ul style="list-style-type: none"> •660 minimum
Debt-to-Income Ratio	<ul style="list-style-type: none"> •45% maximum (compensating factors allowed to offset)
Use of Proceeds	<ul style="list-style-type: none"> •Measures that improve home’s energy performance (min 75% of loan proceeds) • Other Home Improvements (25% of proceeds)
Disbursement of Proceeds	<ul style="list-style-type: none"> •50% maximum at closing •50% upon completion of the work
Discount Points	<ul style="list-style-type: none"> •Third parties may pay and •Must be bona fide

TITLE II POWERSAVER 203(K) ATTRIBUTES

Attribute	Eligible
Property types	<ul style="list-style-type: none">▪ 1-4 family dwelling▪ Condominiums (1-unit only)▪ Manufactured homes built after 1978▪ Mixed use business = square foot limits for business apply. an 25%, floor,▪ Properties must have been completed for at least a period of 1 year.
Standard (k)	<ul style="list-style-type: none">▪ Major Improvements▪ Lender must use HUD 203(k) consultant▪ Minimum repair - \$5,000
Streamline (k)	<ul style="list-style-type: none">▪ Minor Improvements▪ Maximum improvement project - \$35,000▪ HUD 203(k) consultant is not required▪ Improvements may not be structural

FHA POWERSAVER - Eligible Improvements \$

Improvement	Standards
Whole House	Whole house air sealing measures, including interior and exterior measures, utilizing sealants, caulks, insulating foams, gaskets, weather-stripping, mastics, and other building materials in accordance with BPI standards or other procedures approved by the Secretary. (Reference: http://www.bpi.org/standards.aspx)
Insulation: Attic	Attic insulation measures that-- (A) include sealing of air leakage between the attic and the conditioned space, in accordance with BPI standards or the attic portions of the DOE or EPA thermal bypass checklist or other procedures approved by the Secretary; (B) add at least R-19 insulation to existing insulation; (C) result in at least R-38 insulation in DOE climate zones 1 through 4 and at least R-49 insulation in DOE climate zones 5 through 8, including existing insulation, within the limits of structural capacity, except that a State, with the approval of the Secretary, may designate climate zone subregions as a function of varying elevation; and Map Page: http://www.energystar.gov/index.cfm?c=home_sealing.hm_improvement_insulation_table (D) cover at least-- (i) 100 percent of an accessible attic; or (ii) 75 percent of the total conditioned footprint of the house. (BPI Standards reference: http://www.bpi.org/standards.aspx)
Insulation: Wall	Wall insulation that-- (A) is installed in accordance with BPI standards or other procedures approved by the Secretary; (B) is to full-stud thickness or adds at least R-10 of continuous insulation; and (C) covers at least 75 percent of the total external wall area of the home. (BPI Reference: http://www.bpi.org/standards.aspx)
Insulation: Crawl Space	Crawl space insulation or basement wall and rim joist insulation that is installed in accordance with BPI standards or other procedures approved by the Secretary and-- (A) covers at least 500 square feet of crawl space or basement wall and adds at least-- (i) R-19 of cavity insulation or R-15 of continuous insulation to existing crawl space insulation; or (ii) R-13 of cavity insulation or R-10 of continuous insulation to basement walls; and (B) fully covers the rim joist with at least R-10 of new continuous or R-13 of cavity insulation. (BPI Reference: http://www.bpi.org/standards.aspx)
Duct Sealing	Duct sealing or replacement and sealing that-- (A) is installed in accordance with BPI standards or other procedures approved by the Secretary; and (B) in the case of duct replacement and sealing, replaces and seals at least 50 percent of a distribution system of the home. (BPI Reference: http://www.bpi.org/standards.aspx)

FHA POWERSAVER - Eligible Improvements \$

Improvement	Standards
Skylight Replacement	Door or skylight replacement that meets most recent Energy Star specifications
Door Replacement	Door or skylight replacement that meets most recent Energy Star specifications
Window Replacement	Replacement windows that meet: (A) most recent Energy Star specifications (good) (B) meet specifications of Department of Energy High Performance Windows Volume Purchase Program (better - more efficient) Reference: http://www1.eere.energy.gov/buildings/windowsvolumepurchase/
Storm Windows or Doors	Storm windows or doors that <ul style="list-style-type: none"> • meet most recent Energy Star specifications (good), or • comply with Department of Energy Low-E volume Purchase Program (better - more efficient)
Heating System Gas/Propane/Oil Boiler / Furnace	Heating system replacement that meets most recent Energy Star specifications.
Air Conditioner	Air-source air conditioner or air-source heat pump replacement with a new unit that meets most recent Energy Star specifications.
Geothermal	Heating or cooling system replacement with an Energy Star qualified geothermal heat pump that meets Tier 2 efficiency requirements and that is installed in accordance with ANSI/ACCA Standard 5 QI-2007.
Water Heater (gas, propane, electric, tankless)	Replacement of a natural gas, propane, or electric water heater that meets most recent Energy Star specifications.
Water Heater (solar)	Solar water heating property must be Energy Star Qualified, or certified by the Solar Rating and Certification Corporation or by comparable entity endorsed by the state in which the system is installed.
Fuel Cells and Microturbine Systems	Efficiency of at least 30% and must have a capacity of at least 0.5 kW.
Solar Panels (Photovoltaic Systems)	Photovoltaic systems must provide electricity for the residence, and must meet applicable fire and electrical code requirement.
Wind Turbine Residential	A wind turbine collects kinetic energy from the wind and converts it to electricity that is compatible with a home's electrical system, and Has a nameplate capacity of no more than 100 kilowatts.
Roofs Metal & Asphalt	Metal or asphalt roofs that meet most recent Energy Star specifications

RESOURCES

- Title I & PowerSaver Home Page

http://www.hud.gov/offices/hsg/sfh/title/ti_home.cfm

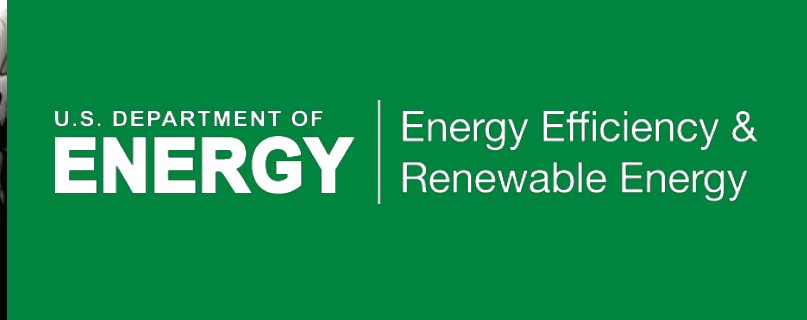
- Title II PowerSaver – 203(k)

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/203k/203kmenu

- Email your questions to:

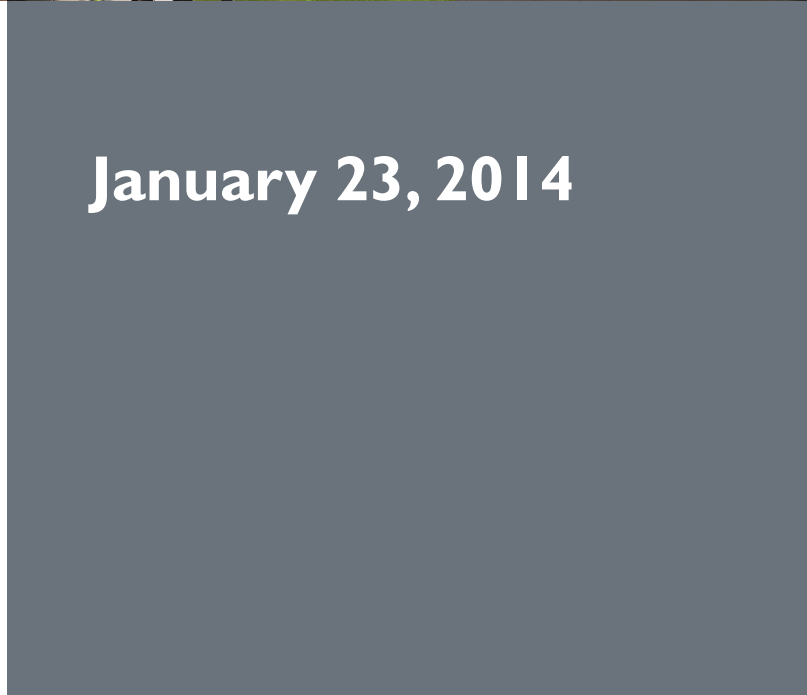
FHAPowerSaver@hud.gov

Featured Speaker: National Renewable Energy Lab (NREL)



Financing Opportunities through PowerSaver Loan Program

Presentation for Better Buildings Neighborhood Program Partners and Better Buildings Residential Network



PowerSaver Loan: Market Opportunities and Advantages

- PowerSaver loan terms (up to 20 years) of any home improvement loan product.
 - Long terms mean lower monthly payments.
 - Traditional home improvement loans are for 5 or maybe 7 years. Some products may go longer but none goes out as far as 20 years.
- PowerSaver loan rates are comparable to other home improvement loan products.
 - Rates are in mid-single digits - not as good as some more incentivized or subsidized rates, but still good.
- PowerSaver has one of the highest quality loan insurers in the world standing behind it.
 - FHA insures the loans
 - This provides significant credibility to the loan product

DOE Partnership with HUD's PowerSaver Loan Program

- HUD-DOE Interagency Agreement was established to support PowerSaver loan utilization and local market capacity, seeking to:
 - Boost PowerSaver loan volume by providing support to HUD approved PowerSaver lenders
 - Promote the availability of PowerSaver to interested borrowers, by establishing partnerships with existing energy programs, such as Home Performance with ENERGY STAR Program Sponsors and Better Buildings Neighborhood Program recipients and contractors
- DOE Team Supporting PowerSaver Loan Program
 - DOE Residential Buildings Integration Team
 - National Renewable Energy Laboratory (NREL)
 - Harcourt Brown & Carey, Inc.
 - SRA International, Inc.

Working with PowerSaver: HPwES, Better Buildings Residential Network Partners

- Partnership will help:
 - Develop partnerships with PowerSaver lenders
 - Match the best qualities of PowerSaver to your programmatic goals
 - Integrate a financing product with your broader EE or solar programmatic efforts.
 - Support efforts to drive demand through marketing and outreach
 - Provide analysis and data on the benefits of home energy upgrades PowerSaver loans
- Activities
 - Webinar series for program sponsors and lenders
 - Focused partnerships with residential programs (HPwES, BBRN)
 - Research new opportunities and innovative approaches

Program Example: Efficiency Maine

1/23/2014

Efficiency Maine

Use of Energy Efficiency Financing to Support Solar Installations



Efficiency Maine Introduction

1. Runs Maine's energy efficiency and renewable energy programs.
2. Established by the Maine Legislature in 2002 with mandate to reduce energy costs, help the environment, and promote sustainable economic development
3. Funded by:
 - electric rate payers
 - large fossil fuel power plant pollution "allowances"
 - Federal grants
 - ISO-NE power grid for "negawatts"



Renewable Energy Federal Tax Credits Only

Funds for renewable installation rebates from Maine were fully allocated in July 2013.

SBC Revenue stream was allowed to sunset in December 2010.

\$1.4M ARRA SEP used to support rebates in 2011 and 2012.

Since end of rebate program Efficiency Maine supporting renewable energy installations through financing.



Energy Loans

1. Subordinate PACE
2. PowerSaver
3. New Unsecured Energy Loans



- 4.99-5.99% APR
- No closing or prepayment fees
- Up to 10, 15, and 20 year term loans with solar
- 1-4 unit properties
- Any HESP-qualified improvement that includes an energy assessment and ≥ 6 hours of air sealing
- up to \$25,000 secured / up to \$15,000 unsecured
- \$10,000 costs only \$80/month



Energy Loans

- Start of PACE and PowerSaver in 2011 and 2012
- 603 loans funded to date
- Total \$7.6M portfolio
- 28 energy efficiency projects included solar PV and thermal

Pathways to eligible work scope:

1. 20% minimum projected savings from energy model
2. Audit plus basic air sealing plus solar thermal or PV
3. Solar PV 3kw min + air source heat pump HSPF ≥ 10

Energy Loan Comparison

Feature	PACE	PowerSaver (\$7,500 to \$25,000)	PowerSaver (Up to \$7,500)	Efficiency Maine Energy Loan Type 1	Efficiency Maine Energy Loan Type 2
Availability	Participating Municipalities	Statewide	Statewide	Statewide	Statewide
Loan Terms	Up to 15 years	Up to 15 years or 20 years with solar installation	Up to 10 years	Up to 10 years	Up to 10 years
Interest Rate	Fixed 4.99% APR	Fixed 4.99% APR	Fixed 4.99% APR	Fixed 4.99% APR	Fixed 5.99% APR
Building Type	Residential with 1 to 4 units	Single Family Detached	Single Family Detached	Residential with 1 to 4 units	Residential with 1 to 4 units
Loan Amounts	\$6,500 to \$15,000	\$7,500 to \$25,000	Up to \$7,500	Up to \$7500/\$15,000	Up to \$7,500
Mortgage	Junior to primary mortgages and existing liens	No less than 2nd position mortgage	Not secured to property	Not secured to property	Not secured to property
Energy Assessment Required	Yes	Yes	Yes	Yes	Yes
Minimum Project Work Scope	1) Set of custom measures with total projected whole home savings $\geq 20\%$ from an approved energy model or; 2) A scope of work that includes 6 hours of air sealing and insulation work as recommended PLUS any additional measure included in the prescriptive list of Home Energy Savings Program incentives. Additional energy or health and safety measures may be included.				
Minimum Credit Score	None	660	660	640/680	620
Homeowner Equity	Lending to 100% of value	Lending to 100% of value	None Required	None Required	None Required
Debt to Income Ratio	45%	45%	45%	45%/50%	55%
Transferable?	Yes	No	N/A	N/A	N/A

General Contact Information

efficiencymaine.com

866-376-2463

866-ES-MAINE



Attributes of a Successful Financing Program

- Incentives that lower the amount homeowners have to pay out of pocket relieves barriers to participation. Examples include covering upfront costs related to administering a loan or allowing residents to roll the cost of a home energy assessment in with their loan for energy efficiency upgrades.
- Some programs have found homeowners appreciate the opportunity to pay off a loan over a longer time period and that the time period matters more than the interest rate as long as the interest rate is fair.
- The maximum you can lend has an impact on how much homeowners will borrow; often homeowners will borrow close to the maximum you can lend.
- Partnerships such as the one between the Local Energy Alliance Program (LEAP), Charlottesville, VA and the University of Virginia Community Credit Union are effective for administering a PowerSaver loan.

Discussion Highlights

- PowerSaver allows 50% of funds be dispersed up front, in some states there are restrictions to the amount that can be dispersed up front.
- To accommodate multiple contractors receiving payment for services, it is possible to disperse multiple checks in the case of secured funds.
- Loans start to finish take 1-2 months on average for processing.
- The library resource on the Efficiency Maine website includes evaluation reports on loan programs that detail the spill over impacts of offering these products.

Future Call Topics Poll Results

- Which, if any, of the following topics are of interest for future Financing calls?
 - Expanding PACE (29%)
 - Effective loan program design and integration with contractors (57%)
 - Packaged loan sales (43%)
 - Options for unsecured debt (57%)
 - Project performance relative to loan performance (71%)

Please send other suggested topics to
peerexchange@rossstrategic.com