Better Buildings Residential Network Financing and Revenue Peer Exchange Call: *Loan Performance Data and Communication*

Call Slides and Discussion Summary

May 23, 2013

Agenda – Loan Performance Data and Communication

- Call Logistics and Roll Call
- Introducing the Better Buildings Residential Network
- Poll on Future Call Topics
- Discussion:
  - What data on loan performance do programs have?
  - How have programs communicated loan performance data with the public/key stakeholders? Have there been any challenges or lessons?
  - What success factors or attributes of loan programs contribute to better loan performance?
  - Other questions /issues about loan performance data and communications?

Participating Programs and Organizations

- Indianapolis, IN
- Cincinnati, OH
- Portland, OR
- Maine

- Clean Energy Finance Center (CT)
- Delta Institute (IL)
- Efficiency.org
- Green For All (OR)

Program Experience: Efficiency Maine

- Efficiency Maine uses Better Buildings grant money to offer Property Assessed Clean Energy (PACE) and PowerSaver loans.
  - PACE loan applicants have no credit score requirement, but must have a debt-to-income ratio of 45% or better and at least as much equity in the home as they hope to borrow, and must achieve 15% energy savings.
  - The PowerSaver loan program requires a 660 credit score.
- Efficiency Maine has received more than 2,000 applications, and distributed $5.1 million in loans with zero defaults.
- Currently, 45-50% of applications are declined because the debt-to-income ratio is too high or the credit score is too low. The program is exploring ways to help more applicants succeed without imposing an excessive financial burden.

Program Experience: Indianapolis Neighborhood Housing Program

- The Indianapolis Neighborhood Housing Program (INHP) is a nonprofit housing community development authority that provides education, advising, and counseling to help loan recipients remain in their homes.
- The EcoHouse loan program offers competitive financing for *low and moderate income customers.*
- All customers receive an audit, and must have at least a 580 credit score. INHP examines bill payment history, but allows some late payments in some cases. The credit review eliminates 38% of applicants. INHP has had zero defaults.
- Of 105 completed loans in the program, $7,400 is the average loan. 70% of loans are secured; 30% are uncollateralized. Automatic payments are set up for all loans.

Program Experience: Clean Energy Works Oregon

- Clean Energy Works Oregon (CEWO) provides financing to homeowners to perform retrofits.
- CEWO has less than 0.5% rate of default on over 1,900 loans, and has completed 2,700 projects.
- CEWO has been able to attract financial institutions as lenders without offering subsidies, including three credit unions and one regional community bank. Credit unions direct leads into the program.
- FICO credit score and utility bill payment history are factors in loan approval, not debt-to-income ratio.
- CEWO initially offered a single financial product—utility on-bill financing; however, CEWO found that it was better to have more flexibility to allow homeowners to work with lenders to find the best financing strategy.
- Lenders have flexibility in the rates they offer.
- By 2014, CEWO may ask lenders to pay a fee, such as a quarterly contribution to marketing.

Loan Performance Data Aggregation

- **Connecticut Clean Energy Finance** is an aggregator of clean energy loan performance data. After collecting and analyzing residential and commercial data, it plans to provide information to rating agencies and banks.
- Five partners (CEWO, Greater Cincinnati Energy Alliance, New York State Energy Research and Development Authority, Pennsylvania Treasury, and Clean Energy Financing and Investment Authority) are providing data on over 15,000 residential loans. Commercial data will be collected soon.
- Data collection will begin over the next couple of months.
- The organization will reach out to solicit input on what questions people are interested in answering from the dataset to better help programs understand residential energy efficiency loan performance.

Discussion Highlights

- **Credit Scores and Increasing Eligibility of Lendees:** Allowing loans to applicants with lower FICO scores (in the low 600s or even as low as 580) can increase participation; however, low-scoring applicants should be granted longer loan terms or subsidies can be utilized in those cases. Lending to low-scoring applicants can also result in program fallout.
- **Fees:** The credit unions that CEWO works with will soon pay a fee to offer their product through a marketing contribution. Direct fees are not charged to lending institutions.
- **Contractor Bonuses:** Some programs (e.g., Cincinnati) are considering contractor bonuses for each loan sold and quarterly bonuses for companies that sell the most loans. Oregon has contractor bonuses for audits and upgrades, but not loans.
- **Positive Cash Flow:** A low percentage of loans result in positive cash flow for homeowners. Instead, programs can help homeowners reduce their exposure to the debt they are taking on. However, Efficiency Maine has achieved a break-even point for their average project.

Potential Future Call Topics

- Potential Future Call Topics and Interest from Participants:
  - Options for unsecured debt (57%)
  - Revenue modeling tools (57%)
  - Tying energy efficiency financing to home loans (43%)
  - Effective strategies for working with lenders (14%)

- Participants suggested the following additional topics:
  - Project performance relative to loan performance
  - EMMs
  - More unique revenue streams