



# Residential Program Solution Center: Incorporating Financing into Programs

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# Outline

- Introduction to Residential Program Solution Center
- Proven Practices to Incorporate Financing
  - Streamline loan process
  - Structure financing to meet program goals
  - Help contractors understand available financing

# Better Buildings Neighborhood Program

\$508 million in grants:  
\$1.4 to \$40 million each

• Created **>10,000 jobs** by supporting small businesses

Completed **119,000 home energy upgrades**

Saved consumers **\$850 million** (estimated lifetime energy savings)

Trained **>5,600 home performance workers** to enhance their skills

Spurred **\$1.3 billion in economic activity**

● City/County Level Grant  
▲ Statewide Grant

# Welcome to the Residential Program Solution Center!

See "About" for information on how to use the Solution Center.

The screenshot shows the homepage of the Better Buildings Residential Program Solution Center. At the top, there is a green header with the U.S. Department of Energy logo and the text 'Energy Efficiency & Renewable Energy'. A search bar is located in the top right corner. The main content area is titled 'Better Buildings Residential Program Solution Center'. On the left, there is a navigation menu with links to 'Solution Center Home', 'About', 'Handbook Index', 'Quick Links', 'Proven Practices', 'Energy Data Facts', and 'Glossary'. Below the menu is a 'Browse By' section with expandable categories for 'Program Components', 'Program Design Phases', and 'Content Types'. The central banner features a large image of four stylized figures running, with a 'Get Started' section below it. To the right of the banner is a 'This Month's Shortcuts' section with three bullet points. Below that is a 'Proven Practices' section featuring a 'Better Buildings' widget with the text 'Offer homeowners time-limited incentives' and a 'Tell me more' button. The 'Explore the Solution Center' section is a central hub with six icons representing different areas: Market Position & Business Model, Program Design & Customer Experience, Evaluation & Data Collection, Marketing & Outreach, Financing, and Contractor Engagement & Workforce Development. At the bottom, there is a 'Get Involved!' section with three bullet points: 'Contact us with comments or questions', 'Submit content. See the Resource Submission page for instructions.', and 'Join the Better Buildings Residential Network to participate in virtual discussions and webinars with peers.'

# Purpose: No More Starting from Scratch



- Help residential energy efficiency programs minimize trial and error to achieve success.



- Help programs and partners plan, operate, and evaluate their programs.



- Provide a living repository of examples, lessons, and resources.

# Solution Center Framework



# Proven Practices to Incorporate Financing

# How does financing fit in?

- Upfront cost of an upgrade can derail homeowners interested in upgrades.
- Access to affordable financing can be part of successful strategy to convert interest into completed upgrades.
- Financing can help homeowners afford an energy upgrade by allowing them to pay for the improvements over time.





# Proven Practices

1. Streamline the loan process
2. Structure financing to meet program goals
3. Help contractors understand financing options

# 1. Streamline the Loan Process

# 1. Why streamline loan processes?

- Complicated loan application and approval processes can cause delays.
- Some strategies being tested to remove barriers to completing upgrades:
  - Reducing number of requirements that homeowners must meet to secure a loan.
  - Accelerating loan application processing.



In Their Own Words: Make the Loan Application Process as Simple as Possible ▶



Source: U.S. Department of Energy, 2012.

<https://rpssc.energy.gov/tips-for-success/streamline-financing-process-easy-loan-applications-and-quick-approvals>

# 1. Program Examples: Use Utility Payment History

- Oregon's Enhabit and Craft3 helped more homeowners qualify for loans
  - Using utility bill payment history as a proxy for credit allowed for quicker approvals and simplified the application process for homeowners
  - Forgoing review of debt-to-income ratio and instead using utility bill repayment history also reduced loan underwriting expenses for Craft3
- From 2011-2013, Craft3 completed more than 2,600 loans valued at \$33.4 million
- Loan default rates were below industry averages



# 1. Program Examples: Enhance Promotional Offers With Easy-to-Use Financing

- Austin Energy's "Best Offer Ever" promotion coordinated with contractors to ensure upgrades were completed before loan preapprovals expired.
  - Additionally, contractors reduced homeowners' invoices by the program rebate amount, and were reimbursed within 2 weeks.
  - Included rebates and no- or low-interest loans.
- Helped upgrade rate increase by 10x during the 3-month promotional period.

**Our BEST OFFER Ever**  
**Save Energy. Save Money.**



Save up to **40%** of total cost.

- ✓ Austin Energy rebates up to \$1,800
- ✓ Austin Energy **0% loan** up to \$11,000
- ✓ Texas Gas Service rebates up to \$500
- ✓ Federal tax credits up to \$1,500  
Please consult your tax adviser for advice.

Complete all recommended energy efficiency improvements through the Home Performance with ENERGY STAR® program and receive a rebate AND a 0% loan for the first time ever. Get started now. Call 974-7827 or visit [austinenrgy.com](http://austinenrgy.com) for a list of participating companies.

   
 [austinenrgy.com](http://austinenrgy.com)


**Offer Ends December 31, 2010**



# 1. Streamlined Loans: Learn More

## Financing – Deliver Program

Where Am I?

 PDF of handbook  Print this handbook

Description

Step-by-Step

Tips for Success

Examples

Toolbox

Topical Resources

### Tips for Success

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. The following tips present the top lessons these programs want to share related to this handbook. This list is not exhaustive.

[Expand All](#)

- ▶ Streamline the financing process with easy loan applications and quick approvals
- ▶ Help contractors understand the program's financing options and benefits, so they can communicate to homeowners
- ▶ Leverage financial sector marketing channels
- ▶ Speak about financing in ways that resonate with homeowners

## 2. Structure financing to meet program goals

## 2. How can financing support program goals?

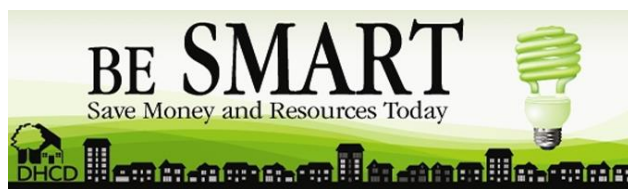
- What are your program goals? For example:
  - Deeper upgrades
  - Reach a wider income demographic
- Strategies being tested to use financing to achieve program goals:
  - Tiered financing
  - Alternative underwriting criteria





## 2. Tiered Financing to encourage more comprehensive upgrades

- Maryland's Be SMART Home program offered two loan options to encourage a higher level of upgrades:
  - Be Smart Home ENERGY STAR loan offered a 6.99% interest rate for upgraded heating systems and efficient appliances.
  - Be Smart Home Complete loan had a 4.99% interest rate intended for more comprehensive improvements.
- After program staff spoke to borrowers about benefits of a whole home upgrade, more homeowners completed an energy assessment and pursued more comprehensive upgrades.
- Between July 2010 and May 2014, more than \$1 million was loaned, with a 66% loan approval rate.



## 2. Reach a wider demographic with alternative underwriting criteria

- Some programs are deploying **alternative underwriting criteria** to make program accessible to broader income.
- NYSERDA's Green Jobs–Green New York initiative used a two-tiered underwriting process:
  - Tier 1: uses standard FICO credit score (>640) and debt to income ratio (<50%) to evaluate creditworthiness
  - Tier 2: for households with credit scores below 640, the maximum DTI increases to 55% and utility bill repayment history is used in lieu of credit score
- As of July 2015, NYSERDA allowed credit scores down to 540. A total of 8,581 Tier 1 loans and 1,312 Tier 2 loans were closed, valued at more than \$95 million and \$14 million, respectively.
- Loan approval rates were over 75%.



# 2. Tiered Financing: Learn More

## Financing – Make Design Decisions

Where Am I? [PDF of handbook](#) [Print this handbook](#)

Description **Step-by-Step** Tips for Success Examples Toolbox Topical Resources

### Step-by-Step

Based on the [financing needs](#) you identified for your community and the [financing goals and objectives](#) you established for your program, it is now time to design your program's financing activities.

As your program begins to make decisions regarding financing activities, you are likely to encounter many terms that you may not be familiar with. Please refer to the [Glossary of Key Financing Terms](#), developed by DOE, for definitions of some of these terms.

The following are four key steps to consider as you make design decisions:

[Expand All](#)

- Define the financing problem or opportunity that you intend to address
- Decide on your program's financing activities
- Determine which functions your program will perform and which functions your partners or subcontractors will perform
- Plan for the long-term

# 2. Tiered Financing: Learn More

## Financing – Make Design Decisions

Where Am I?

 PDF of handbook

 Print this handbook

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### Examples

The following resources are examples from individual residential energy efficiency programs, which include case studies, program presentations and reports, and program materials. The U.S. Department of Energy does not endorse these materials.

#### Case Studies

[Using Credit Enhancements to Leverage Existing CDFI Capacity: Indianapolis EcoHouse Project Loan Program](#)

**Author:** Lawrence Berkeley National Laboratory

**Publication Date:** 2012

Highlights the EcoHouse Project Loan Program, which provides fixed interest rate loans as a tool for enabling energy improvements among households that are otherwise unlikely to be able to access affordable financing at market rates.

[Low-Interest Rates Entice Philadelphians to Reach for the Stars](#)

**Author:** U.S. Department of Energy

**Publication Date:** 2011

Outlines Philadelphia's EnergyWorks program's use of low-interest loans to incentivize homeowners by tying the interest rate to the number of energy efficiency measures incorporated into the home.

[Help My House Loan Pilot Program: Program Design and Results](#)

**Author:** Central Electric Power Cooperative

**Publication Date:** 2013

This case study highlights the Help My House Pilot Program conducted in South Carolina by Central Electric Power Cooperative that included on-bill financing.

EcoHouse

BROUGHT TO YOU BY  
**iNHP**  
Dream. Prepare. Succeed.



EnergyWorks

ENERGY EFFICIENCY IMPROVEMENTS

Help  
My  
HOUSE!

Shape Up Your Home for Energy Savings



# 3. Help contractors understand financing options

# 3. Why help contractors understand financing options?

- Homeowners do not benefit from financing if they don't know about or understand it.
- Contractor sales training and regular meetings can foster greater utilization of loan products.
- Work with contractors to integrate financing into their sales process and avoid making financing another complex decision for customers.

<https://rpssc.energy.gov/tips-for-success/help-contractors-understand-program%E2%80%99s-financing-options-and-benefits-so-they-can>

# 3. Financing – Develop Contractor Resources

**Identify the resources needed to implement your financing activities.**

What is the purpose of these resources?

- Help contractors highlight the benefits and features of financing options to homeowners
- Train contractors on systems to process loans and receive payment
- Answer contractors' questions

<https://rpssc.energy.gov/handbooks/financing---develop-resources>

# 3. Financing – Develop Contractor Resources (cont.)

## Resources can include:

- Educational materials informing contractors about those same products
- Training & internal talking points about loan products and process for call centers, online help, and program staff and key outreach partners
- Outreach materials about available loan products for contractors to give to consumers
- Lender documents like loan application forms and origination and servicing documents from your lender

Communication channels can include the internet, pamphlets, fact sheets, presentations, and direct mail.



### 3. Program Examples: Hold Regular Meetings with Contactors

- As part of ShopSmart with JEA program, Jax Metro Credit Union (JMCU) worked closely with contractors by holding regular meetings and lunch-and-learn sessions on loan products.
- Relationship between JMCU and contractors developed ~14 months.
- From 2010-2012, ShopSmart with JEA completed 206 residential upgrades.
- JMCU members completed more than \$1.2 million of energy upgrades in 183 homes and JEA and JMCU financed nearly 90% of upgrades.



<https://rpsec.energy.gov/tips-for-success/help-contractors-understand-program%E2%80%99s-financing-options-and-benefits-so-they-can>

# 3. Contractor Training: Learn More

- Tips for Success
- Include: background information, videos, and several program examples.

## Help contractors understand the program's financing options and benefits, so they can communicate 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. Some successful programs have staff in a contractor manager role to organize trainings, address questions and concerns, and overall coordinate relationships with participating contractors. Along with simplifying the financing application process, working with contractors to integrate financing into the home performance sales process avoids making financing another complicated decision point for customers.

### In Their Own Words: Empower Contractors to Sell Upgrades and Loans ▶



Source: U.S. Department of Energy, 2012.

### In Their Own Words: Make Financing Part of Your Sales Process to All Customers ▶



<https://rpssc.energy.gov/tips-for-success/help-contractors-understand-program%E2%80%99s-financing-options-and-benefits-so-they-can>

# 3. Develop Contractor Resources: Learn More

**Contractor Engagement & Workforce Development – Develop Resources**

Where Am I? [PDF of handbook](#) [Print this handbook](#)

Description Step-by-Step Tips for Success Examples Toolbox Topical Resources

### Step-by-Step

Having defined your [contractor audience and partners](#), made [design decisions](#) about your program, designed your contractor engagement plan, and created [evaluation plans](#), you can develop resources to engage contractors, help them get the training they need, and support quality installations of energy-saving measures.

[Expand All](#)

- ▶ Hire and train program staff
- ▶ Create program forms and materials for contractors
- ▶ Create contractor recruitment and enrollment materials
- ▶ Plan for regular contractor meetings
- ▶ Develop training resources for participating contractors
- ▶ Create other resources and processes to support contractors
- ▶ Develop contractor marketing support materials
- ▶ Develop process evaluation materials

# Access the Residential Program Solution Center: <https://rpsc.energy.gov>

The image shows a screenshot of the Better Buildings Residential Program Solution Center website. The website header includes the U.S. Department of Energy logo and the text "Energy Efficiency & Renewable Energy". The main heading is "Better Buildings Residential Program Solution Center". A navigation menu on the left includes "Solution Center Home", "About", "Handbook Index", "Quick Links", "Proven Practices", "Energy Data Facts", and "Globality". The main content area features a "Get Started" section with a "Tell me more" button and an "Explore the Solution Center" section with icons for "Market Position & Database Model", "Program Design & Customer Experiences", and "Evaluation & Data Collection". A "Recently Updated Resources" section is also visible.

Overlaid on the screenshot is a four-step process flow diagram:

- Strategy Development**: Represented by an icon of a target with three arrows hitting the bullseye.
- Planning**: Represented by an icon of a person in a hard hat carrying a blueprint.
- Implementation**: Represented by an icon of a checklist with three green checkmarks.
- Evaluation**: Represented by an icon of a magnifying glass over a house with a green roof.

The Better Buildings logo and "U.S. DEPARTMENT OF ENERGY" text are located in the bottom right corner of the image.

# Seeking Focus Group Volunteers!

- Do these criteria describe you?
  - Have used the Solution Center to look for information for your program
  - Are an program administrator or in a decision-making role for a residential energy efficiency program
- If interested, please email [BBRPSolutionCenter@ee.doe.gov](mailto:BBRPSolutionCenter@ee.doe.gov) (by 7/29) with:
  - Name
  - Email address & phone number
  - Organization & title/role
- Focus group will take place the week of August 15<sup>th</sup> via conference call. Time commitment is ~ 1 hour.