

Tap into secondary market investors to provide lending capital

Historically, energy efficiency financing have required two sources of funding: credit enhancement funds to mitigate risk and support attractive financing, and senior capital to fund the majority of the loan principal. Some residential energy efficiency programs have successfully assembled loan portfolios and sold them to secondary market investors as a new way to fund their programs and loan products. Availability of financing from the secondary market can also lower the costs of capital, allowing programs to offer home energy loans with better interest rates.

- The [Keystone Home Energy Loan Program](#) [1] (Keystone HELP) is Pennsylvania's financing program for energy efficient home improvements. The program is principally supported by the Pennsylvania Treasury Department, the Pennsylvania Department of Environmental Protection, and the Pennsylvania Housing Finance Agency. Keystone HELP offers low-rate loans to help eligible homeowners make affordable energy efficiency home improvements. Pennsylvania Treasury began Keystone HELP expecting to hold loans to term. Because of the program's success, however, Treasury would exhaust all the funds it was prepared to make available for energy efficiency upgrade loans much sooner than planned. Without additional capital for new loans, Keystone HELP would need to stop offering financing for energy efficiency improvements. Treasury soon realized that a functioning secondary market would be necessary just to continue its own efforts, let alone scale up energy efficiency lending on a national basis. To meet the capital needs of Keystone HELP (and similar programs around the country), the Warehouse for Energy Efficiency Loans (WHEEL) was designed. WHEEL is a collaboration among the Energy Programs Consortium, the Pennsylvania Treasury, Renewable Funding, and Citigroup Global Markets. It provides low-cost, large-scale private capital to state and local government and utility-sponsored residential energy efficiency loan programs. WHEEL's goal is to create a secondary market for clean energy loans, which over time will deliver better financing terms with declining reliance on credit enhancements and other subsidies. In March 2013, Treasury sold almost 4,700 Keystone HELP loans, receiving \$23 million in cash and \$8.3 million in deferred payments for a projected total of \$31.3 million.
- One of [Enhabit's](#) [2], formerly Clean Energy Works Oregon, goals is to access secondary markets for residential energy efficiency loans to help bring liquidity to the program. To date, Enhabit has successfully engaged lenders in the program, unlocking millions of dollars of private capital while eliminating credit enhancements. The program has been able to access secondary market investors by eliminating credit enhancements and proving the value of home energy lending. Enhabit's success led its lending partner, Craft3, to pursue the [sale of its loan portfolio](#) [3] to both mitigate its own risks and replenish funds for lending. Working with Enhabit, Craft3 closed on its first sale of loan assets to Self-Help Credit Union (based in North Carolina) in December 2013. The purchased portfolio included 1,251 loans with a total outstanding value of \$15.7 million. Most loans in the purchased portfolio had 20 year terms and ranged in size from approximately \$800 to \$30,000 with an average loan size of about \$12,500. Enhabit continues to work with its lending partners to pursue secondary market sales.

```
(function(i,s,o,g,r,a,m){i['GoogleAnalyticsObject']=r;i[r]=i[r]||function(){ (i[r].q=i[r].q||[]).push(arguments)},i[r].l=1*new Date();a=s.createElement(o), m=s.getElementsByTagName(o)[0];a.async=1;a.src=g;m.parentNode.insertBefore(a,m) })(window,document,'script','//www.google-analytics.com/analytics.js','ga'); ga('create', 'UA-43507104-20', 'auto', {'name': 'BBNP0'}); ga('BBNP0.send', 'pageview');ga('BBNP0.send', 'pageview'); var _gaq = _gaq || []; _gaq.push(['BBNP0._setAccount', 'UA-43507104-20']); jQuery(document).ready(function() { jQuery('body a[href$=".pdf"]').each(function() { jQuery(this).click(function() { var title = jQuery(this).attr('text'); _gaq.push(['BBNP0._trackEvent', 'PDF', 'Download', title]); }) });});(function() { var so = document.createElement('script'); so.type = 'text/javascript'; so.async = true; so.src = 'https://rpsc.energy.gov/sites/all/modules/custom/pnnl_google_analytics/js/eere.js'; var s = document.getElementsByTagName('script')[0]; s.parentNode.insertBefore(so, s);})();
```

Source URL: <https://rpsc.energy.gov/tips-for-success/tap-secondary-market-investors-provide-lending-capital>

Links

[1] <http://www.keystonehelp.com/>

[2] <https://enhabit.org/>

[3] http://emp.lbl.gov/sites/all/files/craft3-policy-brief_0.pdf