

Consider tiered financing or rebates to encourage deeper upgrades

Without an incentive, 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 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 pursued.

- Maryland's [Be SMART Home program](#) [1] offered two energy loan options to homeowners: the Be SMART Home ENERGY STAR loan (6.99% interest rate for upgraded heating and systems and efficient appliances) and the Be SMART Home Complete loan (4.99% interest rate for comprehensive home energy improvements). The two loan products were created to provide borrowers with options for completing their home energy upgrades. In addition, the products were intended to encourage hesitant borrowers primarily interested in upgrading one system to consider the benefits of a whole house approach. In many cases, the program noted that borrowers entered the Be SMART Home program for the Be SMART Home ENERGY STAR product; however, after discussions with Be SMART staff about the value of a comprehensive home energy upgrade, many of these borrowers completed an energy assessment and converted to the whole house Be SMART Home Complete approach. Between July 2010 and May 2014, more than \$1 million was loaned, with a 66% loan approval rate.
- [EnergyWorks Philadelphia](#) [2] offered two tiers of loan rates, tying the interest rate to the number of energy efficiency measures incorporated into the home. Homeowners who undertook Gold Star projects using a participating contractor were eligible for the lowest possible rate—0.99% fixed for 10 years. Gold Star projects were guided by an energy assessment and consisted of whole home upgrades that addressed multiple components of the home (e.g., envelope, HVAC, water heating, appliances, etc.). With the Silver Star level, homeowners who installed a single energy efficiency measure (e.g., high efficiency furnace replacement) using a participating contractor could qualify for a 4.99% loan, in addition to rebates and tax credits. Between 2010 and 2013, EnergyWorks issued 559 Gold Star loans worth more than \$6.4 million and 1,347 Silver Star loans worth more than \$11.4 million.
- [Enhabit](#) [3], formerly Clean Energy Works Oregon, initially launched its program with aggressive incentives to generate interest in the program. Early adopters were quick to apply. Enhabit based incentives on the level of projected energy savings: \$3,200 for savings of 30% or more, \$2,200 for savings between 20% and 30%, and \$1,500 for savings between 15% and 20%. After an initial 90 days, incentives were lowered to \$1,500 for savings of 30% or more, \$1,000 for savings between 20% and 30%, and \$500 for savings between 15% and 20%. Recognizing that rebate levels were not sustainable, incentives are currently set at \$1,250 for savings of 30% or more, \$1,000 for savings between 20% and 30% and \$500 for savings between 10% and 20%. According to Enhabit Executive Director Derek Smith, "Our incentive structure gets customers excited about aiming high and gives contractors a lever to encourage a more comprehensive scope of work." Approximately 85% of participants reach the 30% projected savings goal. In addition to being able to access incentives, program participants have access to low cost-financing through Enhabit's network of lending partners to finance the balance of project costs. Between March 2011 and December 2013, Enhabit, through Craft3 (one of Enhabit's lending partners), completed more than 2,600 loans valued at \$33.4 million.

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Links

[1] <http://www.mdhousing.org/Website/Programs/BeSmart/Home.aspx>

[2] <http://energy.gov/eere/better-buildings-neighborhood-program/philadelphia-pennsylvania>

[3] <https://enhabit.org/%20>