Financing – Assess & Improve Processes

Description

As your program **launches its financing activities**, you should plan for ongoing assessment and improvement of your processes and strategies for delivering low-cost financing to homeowners. This will help to ensure efficient interactions among you, your lender, and your contractor partners and a positive customer experience for homeowners.

The internal assessment and continuous improvement of your financing activities is less formal then a program process evaluation, which is often done by third parties and occurs at defined times (e.g., annually). Continuous improvement is informed by ongoing:

- Collection of operational and performance feedback from your lender and contractor partners on how well your processes for delivering low-cost financing to homeowners are working
- Collection of feedback from homeowners on how well the financing process worked for them
- Collection of metrics and data identified in your **financing evaluation plan**
- Periodic checks of how well you are meeting your **goals and objectives**.

Based on this assessment, you can work with your lender and contractor partners to improve your processes to facilitate a positive experience both for your partners and homeowners. The ongoing assessment and improvement of your financing activities will also feed into and inform the **refinement of your program's overall design**.

Consider the following four steps for a successful assessment and improvement process:

- Collect and track data
- Review and evaluate data
- Make decisions
- Communicate process change decisions to your partners.

Find related information across other program components:

- **[Market Position & Business Model – Assess & Improve Processes]**
  Develop processes, strategies, and procedures to continuously improve your organization's operations and position in the market.

- **[Program Design & Customer Experience – Assess & Improve Processes]**
  Improve your program's efficiency and effectiveness through regular information collection, assessment, decision-making, adaptation, and communication.

- **[Marketing & Outreach – Assess & Improve Processes]**
  Monitor the effectiveness of marketing and outreach strategies and adapt as needed.

- **[Contractor Engagement & Workforce Development – Assess & Improve Processes]**
  Monitor the effectiveness of contractor and workforce development efforts, motivate improvement, address low performers, and adapt on a regular basis.

Step-by-Step

Ongoing assessment and improvement of your program's financing activities will help ensure efficient interactions among you, your lender, and your contractor partners and positive customer experience for homeowners.

Consider these four steps to effectively assess and improve your financing activities.

Collect and track data

Ongoing collection and tracking of data related to your financing activities will form the basis for identifying the strategies and processes that work well and those that could use improvement.

You should consider collecting three types of data:

- Operational and performance feedback from your lender and contractor partners
- Homeowner feedback
- Metrics and data identified in your financing evaluation plan.

Operational and performance feedback from your lender and contractor partners

Continual check-ins will allow you to ask these partners how program processes are working. Do they encourage or facilitate loan applications and approvals? Your lender and contractor partners typically have the most face-to-face contact with homeowners, so they can provide feedback on homeowner perceptions of the ease and value of the financing process your program has put in place, as well as the effectiveness of marketing materials your program has developed to drive uptake of home energy upgrades.

Consider setting up ongoing meetings (e.g., monthly or bimonthly) with your partners to foster open communication and dialog.

Austin Energy Collaborates with Contractors to Improve the Financing Process During the "Best Offer Ever" Promotion

When launching its "Best Offer Ever" promotion, Austin Energy focused on both the details and the big picture when it engaged its contractors. The program devised a strategy to meet regularly with contractors, address their concerns, collect input on program ideas, and obtain real-time feedback on what is and is not working for them and for program participants.

As contractors completed upgrades as part of the Best Offer Ever, one challenge that came to light through feedback from contractors was the expiration of loan preapprovals due to high demand for contractor services. Contractors were so overwhelmed with work that loan preapprovals were expiring before the energy upgrades were completed. The situation was costly for the lender, burdensome for program participants, and challenging for contractors. Austin Energy responded by working with the lender to send out weekly notices to contractors, informing them of when their customers' loan prequalifications were due to expire. This communication allowed contractors to better prioritize those customers' projects.

Source: **Spotlight on Austin, Texas: Let Your Contractor Be Your Guide for Big Rewards**, U.S. Department of Energy, 2011.

Homeowner feedback

Homeowners who have considered (and ideally gone through) the process of applying and being approved for loans can provide you with valuable input. Consider asking them questions such as:

- How important is access to low-cost financing for you in considering home energy upgrades?
- Are you aware of the financing options available through this program?
- How did you learn about the financing options available to you (e.g., program flyers, program website, contractor, lender, neighbor referral)?
- What home energy measures did you finance?
- Which contractor did you use, why did you use them, and what was your experience working with them? Did they effectively explain how the financing process works?
- Did the contractor effectively explain how the financing process works?
- What aspects of the financing options available to you (e.g., interest rate, application process, loan term) did you like and not like?

Homeowner Surveys

Surveys of homeowners who have gone through your program's process to receive financing and undergo home energy upgrades, as well as those who chose not to proceed, can be an effective tool for your program to collect information. Surveys can help you:

- Gauge homeowner satisfaction with their experience in the program and the financing process
- Ascertain their satisfaction with lenders and contractors and the energy efficiency measures installed
- Collect information on process or training issues that could improve loan uptake
- Gather ideas for improvement.

Most programs incorporate financing questions into surveys that address their program more broadly (e.g., experience with contractors, marketing and outreach products, customer experience).

DOE has developed the following survey templates:

- **Example of Survey for Successful Participants**
- **Survey Example for Drop Outs**
- **Example Phone Survey for Screened-out Applicants**
- **Program Evaluation Topics & Questions Library for Program Participants**

Examples of actual program surveys that include financing questions:

- **RePower Bainbridge Upgrade Survey**
- **EnergySmart Residential Survey**
- **Me2 Participant Survey**

Metrics and data identified in your financing evaluation plan

As part of your **financing evaluation plan**, you identified metrics (e.g., number of loan applications received, percent of loan applications approved, number of contractor trainings conducted) to help evaluate how well you are meeting your financing **goals and objectives**. Your evaluation plan also established how these metrics are to be measured, who is responsible for measuring them (i.e., you or your partners), and how often they are to be measured. Work with your partners to collect these metrics according to your evaluation plan, as they can be valuable pieces of information to help you understand how well your financing activities are working.

Review and evaluate data

Once you have collected feedback from your lender and contractor partners, feedback from homeowners who have gone through the financing process, and financing metrics identified in your evaluation plan, the next step is to review and evaluate the data to understand what's working and what's not working.

The goals of this step are to:

- **Organize the data you have collected**. You may decide to make an internal staff member responsible for organizing data and for coordinating the ongoing review and evaluation of those data. An effective approach for organizing and sharing data with internal staff and your partners is to develop a standard format (e.g., report, spreadsheet, presentation) to summarize and highlight collected data.
- **Communicate the data to internal staff and your lender and contractor partners and identify possible process improvements**. After organizing the data, you can schedule reviews and assessment sessions to identify and communicate findings from the reporting and to consider program modifications. Initial data review and evaluation can happen internally, but consider setting up periodic (e.g., monthly) meetings with your lender and contractor partners, so they understand the data and can offer their interpretations and suggestions for process improvements.

You may want to schedule the review and assessment of your financing data to coincide with review and assessment of data from other program components (e.g., **Program Design & Customer Experience**, **Marketing & Outreach**, and **Contractor Engagement & Workforce Development**) so that you can make the most comprehensive assessment of your current success and to identify your options for improvement.

Make decisions to improve your financing activity processes

Your data will give you and your partners the information needed to make decisions about how to improve your financing activity processes. Any changes you make should advance these goals:

- Improving the interactions between your program and your partners
- Improving the experience and process for homeowners to apply for and receive financing
- Meeting your financing goals and objectives.

Assessment and improvement of your financing activities is a continuous process. As program decisions are made and implemented and new data are collected, you can fine-tune your processes to deliver a more successful program.

Green Jobs–Green New York Adjusted Loan Eligibility Requirements Based on Approval Rates for Lower Income Households

The **Green Jobs–Green New York** program run by the New York State Energy Research and Development Authority (NYSERDA) adjusted its financing program when program experience showed that lower income residents weren't qualifying for loans. The program established two tiers of loans.

Tier 1 loans followed traditional underwriting standards, establishing a minimum FICO credit score of 640 and a maximum debt to income (DTI) ratio of 50%. Tier 1 loans were financed through capital markets.

Tier 2 loans used alternate underwriting criteria that were easier to achieve for lower-income residents. These loans were financed by a revolving loan fund managed by NYSERDA.

- For households with credit scores below 640, NYSERDA Tier 2 standards increased the maximum DTI to 55% and used utility bill repayment history in lieu of credit score to assess creditworthiness.
- For households with FICO scores above 680 that were rejected from Tier One because they had DTI ratios above 50%, Tier 2 standards increased the maximum DTI to 70% and used utility bill repayment history to assess creditworthiness.

To be eligible for Tier 2 loans, homeowners also needed to be current on their mortgage payments for the previous twelve months. The program revised the Tier 2 criteria three times—what it described as "gradually lowering the bar"—based on loan application approval/denial rates.

Through December 2013, with nearly $44 million in total Tier 1 and Tier 2 loans issued, the delinquency rate was slightly higher for Tier 2 than Tier 1, but the total delinquency rate was only 3.6%. Among other things, the program learned that utility bill repayment history was a strong indicator of whether customers would repay loans.

Loans Closed and Loan Value for NYSERDA Green Jobs–Green New York (November 2010–December 2013)

Tier	Applications Received	Applications Approved	Approval Rate	Loans Closed	Loan Value
Tier 1	12,155	6,941	57%	4,055	$39,275,208
Tier 2	873	674	77%	447	$4,309,972
Total	13,028	7,615	58%	4,502	$43,585,180

Source: **Green Jobs—Green New York**, 2014.

Update: As of July 2015, NYSERDA allows credit scores down to 540 under its loan program. A total of 8,581 Tier 1 loans and 1,312 Tier 2 loans have closed, valued at more than $95 million and $14 million respectively. Loan approval rates are over 75 percent.

Strategic Partnerships Help Jacksonville Program Take Loans from Buydown to Uptake

In early 2011, the **ShopSmart with JEA program** in Jacksonville, Florida, worked with local lenders to "buy down" the interest rate on home energy loans by six percentage points in an effort to provide more enticing and affordable loans for homeowners to finance energy efficiency upgrades. For example, a homeowner who qualified for an 8% interest rate on an energy upgrade loan would be offered a reduced rate of 2% to make the financing more attractive. Despite these lower rates, however, JEA's initial offering received a moderate response rate of 33 loans during the first 14 months.

JEA maintained a close working partnership with its local lenders, and after several months of trying to market the buydown interest rates to homeowners, local lenders suggested it might be easier to explain and promote a 0% interest rate. To help JEA reduce the interest rate to 0%, three credit unions subsidized the difference and began offering 0% financing on energy upgrade loans to their members. As soon as JEA rolled out the 0% interest rate offer through the credit union partners, homeowners responded. JEA offered the 0% interest rate for only three months, and during that time the participating credit unions issued 87 loans, nearly 13 times as many per month than were made under the interest rate buydown offer.

Even after the 0% financing offer ended, and despite the fact that JEA did not initiate any additional outreach efforts, homeowners continued to show interest in energy efficiency upgrades, and lenders continued to provide energy efficiency loans at market rates.

Communicate process change decisions to your partners

As you make process change decisions related to your financing activities, you need to communicate them with your lender and contractor partners. You can document process change decisions in reports, memos, presentations, and email, but you should also consider setting up face-to-face meetings or conference calls with your partners to review and implement process modifications. Be sure to communicate the data and feedback that influence process changes as well.

Ongoing and continuous communication with your partners will:

- Foster a collaborative environment
- Instill confidence in your partners that your program is acting to make the financing process work for them and their customers
- Help ensure greater program success.

As you make changes to your program, ensure that you and your partners keep all outreach material up to date. Inaccurate printed and website material can create confusion among homeowners.

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.

Engage with potential lending partners early, and make a clear business case for their involvement

Some lenders perceive home energy lending to be too risky or not profitable enough for them to get involved. Programs have found that engaging potential lending partners early in the program design process, especially in face-to-face meetings, helped them understand both lender needs and the risks and opportunities of different financing strategies. This approach allows programs to make the business case for lender involvement, which can include cross-selling other financial products; low default rates; and low customer acquisition costs.

- Since 2004, **Austin Energy** has fostered a **strong partnership** with Velocity Credit Union to offer residential energy efficiency and solar systems financing to its customers; first as a Home Performance with ENERGY STAR sponsor and then as a Better Buildings Neighborhood Program partner. Velocity Credit Union offers loans for upgrades to heating and cooling systems, Home Performance with ENERGY STAR whole home upgrades, and installation of solar electric and hot water systems. Velocity Credit Union has found that partnering with Austin Energy provides several compelling benefits, including low cost of customer acquisition for its other lending products and increased visibility through marketing and outreach. In addition, access to Austin Energy's rigorous quality assurance process ensures that loan-funded work is performed properly by qualified contractors. Between 2010 and 2013, Austin Energy's single-family and multifamily programs have resulted in the completion of more than 3,500 energy upgrades with an expected annual energy savings of over 20%, or about $2 million per year in savings for program participants. Between October 2012 and December 2013, 461 home energy loans were closed, totaling $3.8 million.
- When starting its home energy upgrade program in 2011, Los Angeles County (a government partner in **Energy Upgrade California**) engaged Matadors Credit Union (Matadors) to make a clear case for their involvement in the program. Energy Upgrade California partners with Matadors Credit Union (Matadors) to offer home energy loans to residents in all 58 of California's counties. Loans are offered at rates of 4.99% to 6.99% for 5 to 15 years in amounts ranging from $2,500 to $50,000. Investor owned utilities (IOUs) did not offer financing for residential customers participating in Energy Upgrade California at the time, so in 2011, Los Angeles County partnered with Matadors during a pilot project to offer their loan product, the Energy Loan. At first, Matadors was apprehensive about entering the residential energy loan market due to the perceived risk associated with home energy loans. To encourage their participation, Los Angeles County pitched the business case for home energy lending and created a loan loss reserve fund. The fund allowed the county to set aside 10% of the amount of each loan to reimburse the lender for 90% of the losses associated with any loans that defaulted. The county's goals were to develop a loan product that made it more feasible for homeowners to afford upgrades by allowing them to make payments over time, and to demonstrate that home energy lending can be low-risk and profitable for lenders. As of spring 2013, Matadors received over 600 loan applications, approved nearly 300, and saw only two of the funded loans go into default. While encouraged by early results, Matadors' staff stated that it was too early to draw conclusions about the long-term profitability of the loan product because similar programs had found that most losses occurred in the third and fourth years. Matadors continues to monitor and report the loan performance to Los Angeles County and share those results with DOE for future analysis.
- Early on, the **Local Energy Alliance Program** (LEAP) of Charlottesville, Virginia, had several conversations with the University of Virginia Community Credit Union (UVA CCU) to explain the benefits of their Home Performance with ENERGY STAR program and to convince credit union staff that the energy and cost saving potential for customers was real. The program infrastructure—such as eligible measures, a registered contractor network and the quality assurance policy—helped LEAP convince the credit union of the program's ability to generate consumer interest and demand for energy efficiency financing. The credit union moved forward on its own to establish the Green $ense loan option for participants in the LEAP program. Later, the credit union became a sponsor of the FHA PowerSaver loan with assistance from LEAP, but no formal relationship between LEAP and the credit union was established. As partners, LEAP and UVA CCU maintain open lines of communication; however, because they have not entered into a formal agreement relative to funding the program, LEAP does not receive data on loan activity from UVA CCU. Nevertheless, both parties have been very satisfied with their partnership to date. Said Alison DeTuncq, president and CEO of UVA CCU, "LEAP has proven to be an ideal partner for the Credit Union. We both share the fundamental goal of helping people save money and believe the best path to achieving this goal is through education and providing helpful tools to overcome barriers to take energy efficiency measures."

- The New Hampshire Better Buildings program developed an innovative partnership between its lender, New Hampshire CDFA, and utilities to offer home upgrade loans with on-bill repayment through the customer's utility bill. A tariff modification was also completed through the PUC to increase the maximum loan amount from $7,500 to $20,000. This resulted in an effective way to offer financing for more comprehensive upgrades. Between 2012 and 2014, the utility partnership resulted in 205 on-bill loans totaling nearly $1.3 million. Prior to the partnership, the average loan amount was $2,500. With the support of seed funding from the Better Buildings Neighborhood Program from 2010 through 2013, the average loan amount increased to $6,340, which was facilitated through the on-bill financing partnerships with New Hampshire's electric and gas utilities.

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

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

- **EnergyWorks of Philadelphia** recognized that contractors can have a tremendous influence on homeowner decisions about how to pay for an energy upgrade. The program therefore trained contractors on how to effectively make affordability of energy efficiency a key part of every sales proposal and assessment. Contractors were also trained on how to better utilize special financing and monthly payment plans to increase both their closing rates and market penetration for more energy efficient home improvements. In addition, EnergyWorks provided contractors with program-sponsored technical training for BPI and RESNET certification, if needed, streamlined the energy assessment process and developed a consistent customer report template, and used an integrated software platform to provide maximum efficiency and customer service to contractors during loan/incentive origination, administration, payment, and reporting. Between 2010 and 2013, EnergyWorks helped finance over 1,900 residential upgrade projects, totaling more than $17 million.
- **Enhabit**, formerly Clean Energy Works Oregon, works with its contractors to provide business coaching, peer mentoring, business development classes, business accounting, and sales training. Supporting the development of these skills is a key factor in Enhabit's success. Trainings include discussion of Enhabit's loan offerings and eligible lenders, and how financing is a valuable tool to help drive sales. These trainings were well-received by contractors and helped them improve their business processes, making them more profitable. Between program launch in March 2011 and December 2013, Enhabit's **close relationship with its contractor partners** resulted in the completion of more than 3,000 upgrades. For more information on how Enhabit partners with their contractors, see the case study **Making the Program Work for Contractors**.
- The **Greater Cincinnati Energy Alliance** (GCEA) recognized that the best way to drive demand for home energy upgrades was to involve local contractors that worked in homes on a daily basis. To that end, GCEA identified, trained, and mentored contractors who were interested in promoting the benefits of energy efficiency and saw it as a means to expand their business. Through a network of participating contractors, homeowners throughout Greater Cincinnati ultimately purchased energy efficiency upgrades and services totaling almost $19 million. Between program launch in 2011 and November 2013, GCEA issued 127 residential loans, totaling more than $1 million with no losses.
- In October 2010, **Austin Energy** rolled out its single-family residential energy "Best Offer Ever" promotion, a three-month special that combined rebates and no-interest loans for energy upgrades. Austin Energy offered **extra contractor training** on the financing to drive sales during the promotion. Once draft promotional plans were in place, Austin Energy hosted a breakfast meeting—getting on their Home Performance with ENERGY STAR contractors' schedules before they were out in the field for the day—to discuss the plans and collect feedback from the contactors. Contractors provided feedback on the launch plans, received sample forms, and were trained on how to use them. The contractors were also candid about their involvement in implementing the offer. Most contractors had not actively marketed financing options before, so Austin Energy walked the group through each party's role and responsibility in the loan process. Austin Energy also scheduled the promotion during the fall and winter, which is typically a slow season for building contractors in otherwise sunny and hot Texas—increasing the likelihood that projects would be completed in a timely manner while also helping contractors avoid seasonal layoffs. As a result of the promotion, a total of 568 participants received Home Performance with ENERGY STAR upgrades through 47 contractors in six months—more than 10 times Austin Energy's typical participation rate.
- As part of the **ShopSmart with JEA** program, Jax Metro Credit Union (JMCU) worked closely with contractors by holding regular meetings (monthly or quarterly) as well as lunch and learn opportunities to educate contractors on the loan options available. The credit union also did outreach to contractors or contractor associations in the community recognizing that the contractors would play an important role in selling benefits of the loan product. It was a long process, nearly 14 months, before the relationship between the credit union and the contractors was fully developed. From 2010-2012, ShopSmart with JEA completed 206 residential upgrades. JMCU members completed more than $1.2 million worth of energy upgrades on 183 homes in the community, and JEA and JMCU financed nearly 90 percent of completed upgrades.

Leverage financial sector marketing channels

Lenders can be a valuable partner for programs in marketing loan products and driving demand for home energy upgrades. They are often a trusted source of information in a community, and they have access to potential customers and partners such as existing customers, loan aggregators, and large property investors and managers. Many Better Buildings Neighborhood Program partners found success by co-marketing their programs with lenders to expand loan uptake and, ultimately, the number of home energy upgrades completed. Programs often accompanied co-marketing with training about the program, so that lending partners and their staff could respond to homeowner questions about program services, in addition to the loan products.

- Boulder County, Colorado's **EnergySmart program** partnered with Elevations Credit Union to develop and deliver low-interest financing for eligible energy efficiency improvements for homes. Residential loans start at $500 at interest rates of 2.75% with the option of 36-, 60-, 84- and 120-month terms. The financing launch occurred in August 2012, and EnergySmart leveraged Elevations Credit Union's marketing channels and co-branded itself with the lender to promote the low-interest loans. Tactics included creating a webpage dedicated to energy loans on Elevations Credit Union's website; social marketing, including Facebook, Twitter, and blog promotion; and events/promotions at Elevations Credit Union branches. EnergySmart complemented these joint efforts with direct mailers, bus ads, bike-sharing ads, print ads, and a large radio campaign. Over $1.7 million in energy loans were issued by EnergySmart between August 2012 and September 2013, helping 150 homes and businesses overcome cost barriers to energy efficiency investment.
- The **Local Energy Alliance Program** (LEAP) of Charlottesville, Virginia, partnered with the University of Virginia Community Credit Union (UVA CCU) to offer residential energy loans. After discussions with LEAP early on, UVA CCU moved forward on its own to establish the Green $ense loan option for participants in the LEAP program. Later, the credit union became a sponsor of the FHA PowerSaver loan with assistance from LEAP. While no formal relationship between LEAP and the credit union was established, the UVA CCU PowerSaver program encourages customers to participate in the LEAP Home Performance with ENERGY STAR program by posting links to the program on its website, conducting joint marketing with LEAP, and verbally referring customers to the LEAP program. To obtain a PowerSaver loan, UVA CCU simply requires that a homeowner meet FHA's eligibility requirements. As partners, LEAP and UVA CCU maintain open lines of communication; however, because they have not entered into a formal agreement relative to funding the program, LEAP does not receive data on loan activity from UVA CCU. Nevertheless, both parties have been satisfied with their partnership to date.
- **RePower** partnered with two local credit unions, first Kitsap Credit Union (KCU) and then later Puget Sound Cooperative Credit Union (PSCCU), to offer low-cost home energy loans to its community in Washington. RePower found that it was crucial to educate the lenders' internal staffs about the program's requirements, goals, and priorities. RePower held in-house trainings for appropriate lending staff at KCU branches. They also walked KCU staff through a diagnostic energy assessment at one of the credit union staff member's homes. In the early days, several RePower customers contacted the credit union to inquire about the loan and were told "We don't offer this type of loan." RePower found that this internal training greatly increased KCU staff's awareness about the energy efficiency and the available loan product. In addition to training lending partner staff, RePower encouraged KCU and PSCCU to assign specific staff to manage the energy efficiency loan process, connect with RePower staff, review applications and eligible measures, and evaluate various work scopes that might be included in a loan—all with the goal of improving the customer experience and driving uptake of home energy loans. By ensuring that lending staff are properly trained and by encouraging KCU and PSCCU to have a financing point person, RePower is able to leverage its program outreach efforts with those of its lending partners. A total of 71 loans totaling nearly $700,000 were issued by KCU and PSCCU during the Better Buildings Neighborhood Program grant period. PSCCU is continuing to offer and market loans throughout the region despite the grant period end.

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** 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** 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**, 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% and30% 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.

Speak about financing in ways that resonate with homeowners

Many programs struggle with communicating the value of financing to homeowners. Financing can be a complicated topic, and ensuring that homeowners understand how their loans work and the benefits they will realize is important for converting interest into action. Many Better Buildings Neighborhood Program partners achieved success by simplifying messages, focusing on those that convey long-term value, low monthly payments, low interest rates, enhanced home comfort, and energy savings.

- The **Keystone Home Energy Loan Program** (Keystone HELP) found that "Low Monthly Payments" and "No Money Down" were effective messages to help drive loan uptake. They also advertise that homeowners will not encounter any surprises down the road. For example, the program website states, "Keystone HELP offers True Fixed Rate Financing, which means the rate of your loan will never change, and your low monthly payment will stay the same for the life of your loan." This gave homeowners confidence that their monthly payments would be stable, and encouraged homeowners to make a larger investment in energy efficiency improvements to their home. As of October 2013, the program has provided more than $100 million in financing to over 11,000 Pennsylvania homeowners for energy efficiency home improvements.
- **Enhabit's**, formerly Clean Energy Works Oregon, messaging around financing focuses on affordability, home transformation, home comfort, home health, and proven results. For example, their website includes statements such as:
    - "It has never been more affordable to transform your home from vintage looker to cutting edge performer."
    - "Hundreds of other homeowners have already financed a CEWO Home Energy Remodel, with costs ranging from $2,000 and $30,000 and an average just over $10,000. In most cases the money they save helps offset a nice chunk of the monthly loan payment."
    - "We think that's a pretty good deal for a more comfortable, healthier, and energy efficient home."

  Enhabit couples its messaging with a simplified loan process and provides sample estimates of monthly loan costs and expected energy savings so homeowners can readily make informed decisions about the costs of their upgrade and expected savings in terms of monthly cash flow." Between March 2011 and December 2013, Enhabit, through lending partner Craft3, completed more than 2,600 loans valued at $33.4 million, with an average loan amount of $12,500.
- When speaking with homeowners considering upgrades, Boulder County, Colorado's **EnergySmart program** focuses on the messages that upgrades are a path to homeowner benefits, such as comfort, health and safety, and reduced energy bills. They also focus on how financing can be combined with available rebates to make upgrades financially attractive to homeowners. For example, their website states, "Energy Loans can help you achieve a more efficient, comfortable and affordable home. Interest rates start as low as 2.75%. Loans can be paid in part or in full with zero prepayment penalties. Energy Loans can be combined with rebates to fully fund your home upgrades." By simplifying messages and the loan process, in conjunction with energy advisor support, Boulder County was able to achieve conversion rates of greater than 70%. Between October 2010 and September 2013, EnergySmart was designed, launched, and supported the completion of upgrades in more than 4,100 homes. Over $1.7 million in energy loans were issued by EnergySmart between August 2012 when the loan product became available and September 2013, helping 150 homes and businesses overcome cost barriers to energy efficiency investment.

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

Spotlight on Austin, Texas: Let Your Contractor Be Your Guide for Big Rewards **(445 KB)**
Author: U.S. Department of Energy
Publication Date: 2011

This case study discusses strategies that Austin Energy, a municipally owned utility, used to collaborate closely with building contractors to launch a new Best Offer Ever promotion quickly and effectively.

Program Presentations & Reports

Key Findings and Recommendations From the Process Evaluation of Clean Energy Works Oregon (now Enhabit) **(4 MB)**
Author: Energy Trust Oregon (Prepared by Johnson Consulting Group)
Publication Date: 2012

This report presents key findings and recommendations from the process evaluation of Clean Energy Works Oregon's (now Enhabit's) energy efficiency financing program. Table 1 provides a good list of key process evaluation research questions which may help others scope comprehensive process evaluations.

Michigan Saves: Using Loan Performance Data to Inform Program Implementation **(3 MB)**
Author: Mary Templeton, Michigan Saves
Publication Date: 2014

This presentation describes the financial data Michigan Saves tracks and how the program uses the data to inform program implementation.

California 2010-2012 On-Bill Financing Process Evaluation and Market Assessment
Author: California Public Utilities Commission
Publication Date: 2012

This report focuses on four utilities in California. The research for this report included reviewing program documents and tracking databases, conducting two rounds of interviews with four investor owned utility program managers, interviewing California Public Utility Commission staff members and an intervener, surveying 76 on-bill financing program participants and 29 vendors who helped deliver the program, interviewing 12 account executives, and conducting six focus groups across California with 46 energy audit participants who had not participated in on-bill financing.

2014 Comprehensive Evaluation: Colorado Energy Efficiency Financing Program
Author: The Cadmus Group, Inc.
Publication Date: 2014

This report details findings from the evaluation of the Colorado energy efficiency financing program.

The Opportunity for Energy Efficiency Financing Programs in the Southeast
Author: Timothy Block, Southeast Energy Efficiency Alliance; Ian Fischer, Clean Energy Solutions, Inc.; Steve Morgan, Clean Energy Solutions, Inc.; Jennifer Weiss, Environmental Finance Center at UNC-Chapel Hill
Publication Date: 2014

This report presents the underlying barriers and drivers of successful efficiency programs, deliberates upon what financing roles are most appropriate for SEEA involvement going forward, and quantifies the opportunity for energy efficiency financing in the Southeast going forward.

Program Materials

RePower Bainbridge Upgrade Survey **(333 KB)**
Author: RePower Bainbridge
Publication Date: 2012

Homeowner data collection survey created by RePower.

[Me2 Participant Survey](#) **(554 KB)**
Author: Me2
Publication Date: 2011
Participant survey sent to Me2 customers that have completed at least the initial Energy Advocate visit.

Toolbox

The following resources are available to help design, implement, and evaluate possible activities related to this handbook. These resources include templates and forms, as well as tools and calculators. The U.S. Department of Energy does not endorse these materials.

Templates & Forms

Example Survey for Successful Participants **(144 KB)**
Author: U.S. Department of Energy
Publication Date: 2011
Sample email survey template for successful program participants.

Example Phone Survey for Drop-Outs **(157 KB)**
Author: U.S. Department of Energy
Publication Date: 2011
Sample phone survey template for program drop-outs.

Example Phone Survey for Screened-out Applicants **(211 KB)**
Author: U.S. Department of Energy
Publication Date: 2011
Sample phone survey for applicants who have been screened out from participating in the program.

Program Evaluation Topics & Questions Library for Program Participants **(163 KB)**
Author: U.S. Department of Energy
Publication Date: 2011
This document provides a menu of initial questions for a program administrator or implementer to build on and use in developing a real-time evaluation survey to collect qualitative data from program participants.

Tools & Calculators

None available at this time.

Topical Resources

The following resources provide additional topical information related to this handbook, which include presentations, publications, and webcasts. Visit **Examples** for materials from and about individual programs.

Topical Presentations

Program Management and Continuous Improvement for Financing Programs **(5 MB)**
Author: Chris Lohmann, U.S. Department of Energy
Publication Date: 2011

Presentation providing an overview of financing programs, a strategy for continuous improvement, tools for program management, a risk management strategy, and common risks associated with financing programs.

Publications

The Importance of Evaluating Energy Efficiency Financing Programs
Author: Chris Kramer, Energy Futures Group
Publication Date: 2015

This article discusses the importance and value of evaluating energy efficiency financing programs.

DOE State and Local Solution Center: Financing for Energy Efficiency and Renewable Energy
Author: U.S. Department of Energy
Publication Date: 2015

Provides tactical information on financing program key elements and descriptions of financing program types by market sector for state and local governments working to set up financing programs.

What Have We Learned from Energy Efficiency Financing Programs? **(718 KB)**
Author: American Council for an Energy-Efficient Economy
Publication Date: 2011

This report presents results, recommendations, and case studies of energy efficiency financing programs.

Energy Efficiency Financing Program Implementation Primer
Author: State and Local Energy Efficiency Action Network
Publication Date: 2014

This report provides an overview of considerations for designing and implementing successful energy efficiency financing programs for existing buildings in the residential and commercial sectors. Information on key issues related to energy efficiency financing programs, guidance to existing resources that provide more in-depth financing program design and implementation information, and strategies for delivering broad customer access to attractive financing products that enhance customer capacity and willingness to invest in energy efficiency to address "first cost" barriers are included.

Webcasts

Financial Program Management for Continuous Improvement
Media **(67 MB)**, **Transcript**
Author: U.S. Department of Energy
Publication Date: 2011

This webcast discussed financial program management.

Better Buildings Residential Program Solution Center
http://bbnp.pnnl.gov