NASEO Financing Committee: New Trends in Energy Financing

A mission-driven Clean Energy Investment Platform and Program Partner, Investing in Underserved Communities and Markets

February 9, 2023
Agenda

1. Introduction

2. What is Smart-E

3. How the Program Works for Energy Offices

4. Financing LMI Community Solar

5. Wrap Up
We believe everyone should have access to the benefits of clean energy:

- A cleaner, more resilient environment in the face of climate change
- Healthier communities & buildings that create positive social externalities
- Sustainable economic value creation: reduced energy burdens, increased household/business savings, and enhanced community productivity

We can change the conversation in underinvested neighborhoods and underserved markets, helping to deliver Inclusive Prosperity.
What is Smart-E

A National Residential Loan Platform
Scaling Local Lending and Inclusive Household, Economic Development & Clean Energy Impacts
Problem We’re Solving – Scaling Green Home Upgrades

**Homeowners**
- Don’t know who to trust
  - What to install
  - How to find a good contractor
- Challenged to pay for upgrades

**Lenders**
- (Many) don’t know green consumer lending
- Don’t know how to get started
- Collateral and Risk

**Contractors**
- Need convenient and affordable financing options
- Need working capital to handle multiple jobs with financing

**Governments**
- Need all hands on deck to meet policy goals, particularly private capital partners
Solution: Smart-E Loan for Homeowners – National Platform

Smart-E mobilizes the lending capacity of local lenders, a vetted contractor network, and the experience of trusted program partners to scale clean energy home upgrades in a national residential loan platform using a proven, standardized product with credit enhancement that supports underserved borrowers.

Backers & Partners

Program Snapshot

- Over $500M loans, 60,000 homeowners in 3 states (CT, MI, CO)
- 19 community lenders
- 1,000+ contractors across all trades – solar, efficiency, HVAC and more
- Excellent portfolio performance
Residential **unsecured loan** product for homeowners

- 1-4 unit, owner-occupied residential properties

**Low-interest** financing with **flexible terms**, enabled by **loss reserve**

- All customers get the same interest rate, no matter their FICO

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- **Easy** application through **local lenders**
  - 580+ FICOs
  - DTI up to 50% (screen waived with FICOs of 680+)

- **40+ energy improvements**
  - Heating and cooling, solar, insulation, windows, etc.

- **$500 - $40,000 loan amounts** available
  - 25% of loan for “other”

- Progress payments built into the loan (1/3 upon closing, 2/3 upon proof of completion)
We’ve Solved the Hard Problems!

- **Contractor** recruitment, training, oversight, engagement, and project level management
  - Ensure a **strong consumer protection orientation** with a not-for-profit, mission-driven platform partner

- Standardized program design with meaningful impact reporting
  - What measures are going to help **customers invest in their homes**, and **save money** that can be used to **pay back the loan**

- Effective leverage of your own program funds
  - Reduce program costs over time as volume on the national platform scales
  - Offer a **best-in-class product** at a fraction of the cost
  - Leverage the **millions of dollars** and **years of experience** CT and MI have invested

- **How to scale** and drive volume to help hit policy goals
  - Market transformation (help train contractors to focus on specific technologies)
  - Online project management tool, **NGEN**, creating efficiencies

- Access a passionate, **experienced team** who understand how to **motivate contractors, lenders, and homeowners** to make energy programs impactful

- Address **low-to-moderate income and credit-challenged** homeowners alongside mainstream homeowners
Financing LMI Community Solar
Financing Solutions for LMI Community Solar

Yes, there is financing available from IPC and other providers!

- IPC offers construction and permanent debt or PPAs for LMI community solar projects including
  - Projects with 100% low-income subscribers
    - Alternative underwriting approaches and credit-challenged subscribers
  - Community-owned community solar projects
  - Smaller project sizes
  - Projects paired with storage

- We also support community solar developers with loans or facilities for
  - Interconnection bridge financing
  - Construction and permanent debt

- Tax credit changes under the IRA are making these types of projects even more attractive
DOE’s National Community Solar Partnership

➢ Tremendous resources available for communities, developers and states
➢ Technical assistance for projects
➢ Connections to financing
➢ Training for developers and community-based projects
   ❖ Including how to get “credit ready” for financing

GET INVOLVED!
Contacts

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