How SMART-E Loans Can Make Residential Energy Upgrades More Accessible

September 14, 2021
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Webinar Speakers

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Center for Resiliency
and Clean Energy

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Senior Manager, Market
Engagement, Inclusive
Prosperity Capital

Nate Hausman
Project Director, Clean
Energy States Alliance
(moderator)
SMART-E LOAN PROGRAM –  
A NATIONAL RESIDENTIAL LOAN PLATFORM

SCALING LOCAL LENDING AND CONTRACTOR TRADES FOR INCLUSIVE HOUSEHOLD, ECONOMIC DEVELOPMENT AND CLEAN ENERGY IMPACTS

CENTER FOR RESILIENCY AND CLEAN ENERGY

BUILDING AND SUPPORTING A NETWORK OF COMMUNITY LENDERS COMMITTED TO SCALING ACCESSIBLE CLEAN ENERGY FINANCING
Inclusiv Overview
Inclusiv is a Certified CDFI (Community Development Financial Institution) founded in 1974.

We represent and advocate for the growth and success of a national network of community-development credit unions.

Our mission: To help low-income people and communities achieve financial independence through credit unions.
400 Community Development Credit Unions in 47 states, Washington D.C. and Puerto Rico

$207 Billion in combined assets

14.6 Million members across the country

75% Low Income Designated

55% Certified as Community Development Financial Institutions (CDFIs)

30% Minority Depository Institutions

13 Associated Credit Union Leagues
Inclusiv Center for Resiliency and Clean Energy

Inclusiv’s Center for Resiliency and Clean Energy is building and supporting a network of community lenders in designing and scaling financing solutions that combat climate change, improve community resilience, and increase access to affordable and sustainable energy for all people.

Training and Support to Build Green Loan Products
- Instructor-led training cohorts with accessible online trainings
- Alumni network and follow-up technical support
- Professional Certificate in Solar Lending

Collaborative Infrastructure for Credit Unions to Engage in Solar Finance
- Operating and technology platforms
- Investment vehicles and funds
- Loan participation mechanisms and secondary markets
- Partnerships between lenders

Movement Building
- Policy development and advocacy
- Industry analysis
- Cross-sectoral convenings

Contact: narabshahi@inclusiv.org
Community Lenders: The Opportunity

Community lenders (Credit Unions, CDFIs, Community Banks) have:

- deep community relationships and underwriting experience
- existing and engaged membership/customer bases
- have available capital to offer affordable financing
- expertise in lending to low- and moderate-income communities and communities of color

But often lack capacity to vet contractors and develop their own green lending programs.

Smart-E enables community lenders to quickly and efficiently launch their green loan programs to communities that have historically lacked access to clean energy.
Green Lending Trends – Credit Unions

There are over 5,000 credit unions in the U.S.

- 100 million members
- $1.7 trillion in combined assets
- Originated $590 billion in new loans over the past 12 months

252 credit unions across the country currently offer dedicated green loan products

22 of these 252 credit unions disclosed a combined total of $1.1 billion in green loans originated

These 252 credit unions have capacity to grow their green lending programs:

- have $244.7 Billion in combined total credit union assets
- represent a combine 14.4 million members
- originated 2.85 million loans for a total value of $91.4 billion over the past year
- geographic distribution across the U.S.

Northeast: 44%
South: 10%
Midwest: 10%
West: 36%
Green Lending Trends – LMI Credit Unions

142 of the credit unions offering dedicated green loan products are CDFI, Low-Income, and/or Minority Depository designated.

- These 142 credit unions have $138.9 Billion in combined total credit union assets
- They represent a combine 8.4 million members
- They originated 1.86 million loans for a total value of $58.2 billion over the past year

- Geographic distribution
  - 38% are in the Northeast (54 CUs, $24.8 bn assets)
  - 13% are in the South (18 CUs, $30.4 bn assets)
  - 11% are in the Midwest (15 CUs, $36.6 bn assets)
  - 39% are in the West (55 CUs, $47.1 bn assets)
For questions about Inclusiv/Clean Energy, contact:

Neda Arabshahi
Director, Center for Resiliency and Clean Energy
narabshahi@inclusiv.org
212.809.1850 x 252
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
Problem We’re Solving – Scaling Green Home Upgrades

<table>
<thead>
<tr>
<th>Homeowners</th>
<th>Lenders</th>
<th>Contractors</th>
<th>Governments</th>
</tr>
</thead>
</table>
| - Don’t know who to trust  
  • What to install  
  • How to find a good contractor  
- Challenged to pay for upgrades | - (Many) don’t know green consumer lending  
- Don’t know how to get started  
- Collateral and Risk | - Need convenient and affordable financing options  
- Need working capital to handle multiple jobs with financing | - Need all hands on deck to meet policy goals, particularly private capital partners |
SMART-E FLEXIBLE FINANCING FOR HOMEOWNERS

❖ Energy Efficiency and Home Performance
❖ Solar + Storage + EV Chargers
❖ Strategic Electrification of Heating & Cooling
❖ Green and Healthy Homes
   ❖ Resilience
❖ Low-to-Moderate Income and Credit-Challenged
❖ Local Lenders and Contractors as Advocates

Policy Impact

Jobs

Leverage
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 that supports underserved borrowers.

Program Snapshot

- Over $250M loans, 25,000 homeowners in 3 states (CT, MI, CO)
- 16 community lenders
- 1,000+ contractors across all trades – solar, efficiency, HVAC and more
- Excellent portfolio performance
SMART-E LOAN PRODUCT

- Residential **unsecured loan** product for homeowners
  - 1-4 unit, owner-occupied residential properties

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

<table>
<thead>
<tr>
<th>Term</th>
<th>5-Years</th>
<th>7-Years</th>
<th>10-Years</th>
<th>12-20-Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>4.49%</td>
<td>4.49%</td>
<td>4.99%</td>
<td>5.49%</td>
</tr>
<tr>
<td><strong>(not to exceed)</strong></td>
<td></td>
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</tr>
</tbody>
</table>

- **Easy** application through **local lenders**

- 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)
Qualifications

**Contractors**
- Participate in a training
- Properly licensed and insured
- No negative BBB rating
- Submit proper paperwork on jobs
- Maintains quality

**Customers**
- 580+ credit score
- Debt-to-Income less than 50%
- No bankruptcies in last 5 years

Assuming lenders on credit-challenged term sheet. Standard term sheet has higher credit score and lower DTI.

**Projects**
- Owner-occupied and owner-financed
- 1-4 unit residential property
- Equipment meets technical standards
How the Program Works
Who’s Involved in Smart-E?

▷ **Program Staff**
  - Recruits and manages lenders
  - Qualifies and oversees contractors
  - Manages project **technical** review

▷ **Lender**
  - Manages customer **credit** review
  - Disburses loan payment to contractors

▷ **Contractor**
  - Provides scope of work to customer
  - Inputs technical specs of project into portal
  - Manages installation

▷ **Everyone is involved in customer acquisition**
NGEN SNAPSHOT

Simple, secure
- New Contractor registration
- Insurance, license and compliance tracking
- Lender, Contractor, Admin log-in

Manage
- Loan and Job workflow
- Disbursement tracking
- Quality assurance

Data Reporting
- Monthly loans
- Contractor Jobs
- Contractor ratings
Smart-E Case Study

Using Interest Rate Buy Downs to Drive Heat Pump Demand
Case Study: Using Special Promotions with CT Market Transformation in Mind

➢ Goal: Use a 7 month 0.99% interest rate buydown to achieve lasting impacts on the Connecticut market and...

1. Support state policies to drive customer awareness of specific technologies/packages
   ➢ Heat pumps, solar +, going deeper

2. Create customer “pull” with contractors to recruit new companies to Smart-E

3. Deepen contractor engagement with Smart-E
Case Study: Using Special Promotions with CT Market Transformation in Mind

<table>
<thead>
<tr>
<th>During 2017 Campaign</th>
<th>After Campaign – 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ 6x increase in volume – 10x increase in heat pump volume</td>
<td>▪ Volume didn’t collapse!</td>
</tr>
<tr>
<td>▪ 54 new contractors</td>
<td>▪ 2018 run rate is 3-4x higher than the volume before campaign, including heat pumps</td>
</tr>
<tr>
<td>▪ Majority of new entrants are HVAC</td>
<td>▪ Continue training contractors</td>
</tr>
<tr>
<td>▪ Brought total to 300</td>
<td>▪ Over 400 now</td>
</tr>
<tr>
<td>▪ 85% of contractors used product during campaign</td>
<td>▪ Majority of new entrants still HVAC</td>
</tr>
<tr>
<td>▪ vs. 60% in the year before</td>
<td>▪ Some contractors now funding their own buydowns with lenders</td>
</tr>
</tbody>
</table>
Smart-E Loan Heat Pump Results in Connecticut

- **Ductless mini-splits most common**
  - Then air source heat pumps, heat pump water heaters, and geothermal

- **Heat pumps can sell even when oil prices are low**
  - **Cooling** and comfort are the big customer drivers

- **One third of heat pump projects were part of multi-measure jobs**
  - Heat pumps + solar, insulation or other HVAC

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**SMART-E LOANS with HEAT PUMPS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
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<tbody>
<tr>
<td>2013-2016</td>
<td>174</td>
</tr>
<tr>
<td>2017</td>
<td>400</td>
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<tr>
<td>2018</td>
<td>116</td>
</tr>
<tr>
<td>2019</td>
<td>119</td>
</tr>
<tr>
<td>2020</td>
<td>172</td>
</tr>
<tr>
<td>2021</td>
<td>320</td>
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**smart-e loan**

Bill & Lisa
Newtown, CT

Solar, heat pump helps couple save money and stay comfortable
Case Study: Contractor Engagement Strategies Key to CT Success

Based on engagement with 100’s of contractors over the years…Nurture contractors, show them love!

- Contractor matchmaking events and conferences
- Quarterly “Coffee and…” with utilities
- Recognition programs
- “Road shows”
- Be responsive!
Questions?
Contacts

For more information, please reach out to:

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Thank you for attending our webinar

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For more information and resources, visit [www.cesa.org](http://www.cesa.org)