

RESIDENTIAL ENERGY FINANCING



Financing Fundamentals

Unlike paying “upfront” for clean energy improvements, financing:

- Matches costs with savings
- Allows for larger projects
- Allows the adopter to proceed immediately



Financing Fundamentals

Financing includes numerous roles and tasks:

1. Application
2. Underwriting
3. Origination
4. Agreements/documentation
5. Closing/funding
6. Servicing
7. Investing

These functions can be performed by one or more organizations.



Financing Fundamentals

Has financing achieved the promise of accelerating the uptake of clean energy technologies?

Generally no. Why not? Because:

1. Consumers don't "shop" for financing.
2. Contractors are the key consumer "influencer" in most transactions.
3. There are two types of contractors, those that use financing and those that don't.
4. Contractors that use financing, shop for it:
 - They want minimal paper work, instant consumer approval, control of the sale, minimal monthly payments and quick, direct payment.
5. Contractors that don't use financing need:
 - Extensive training and support and once they have it they want the features listed above.
6. Consumers want low rates and no paperwork.

... And the "instruments" (financing products) and structures offered by the financing industry, generally do not satisfy contractors or consumers.



Financing Fundamentals

What are the financing instruments and structures?

1. Loans (well understood, highly regulated, focus on rate)
2. Leases (works for RE, obscures sell price and rate)
3. Service agreements (shared savings/PPAs, pay for performance)
4. On-Bill (on utility bill, “run” with meter)
5. PACE (on property tax bill, GSE’s regulator fights it)
6. Green Banks (a good start, similar to HFAs)

What is Problem and what is the Solution?

The problem - the instruments and structures frequently don't meet the needs of contractors and/or consumers.

The Answer - *Instrument and Structure Design*:

Design instruments and structures to consider the:

1. Contractor needs
2. Consumer needs
3. Technology
4. Industry capabilities
5. Investors appetites

