

ENERGY STAR® Financing



What is ENERGY STAR Financing?

ENERGY STAR financing is financing that by design gives consumers the incentive to purchase ENERGY STAR labeled products. Like other qualifying products, the Environmental Protection Agency (EPA) allows companies to use the ENERGY STAR label on financing products that meet ENERGY STAR criteria. ENERGY STAR financing is funded by a private lender and sponsored by a manufacturer, utility, or retailer partner. Both the lender and the sponsor sign agreements with EPA.

Why offer ENERGY STAR Financing?

Whether you are a utility, manufacturer, retailer, or lender, ENERGY STAR financing can provide a marketing advantage:

- ENERGY STAR is becoming an increasingly recognized trusted symbol among consumers. Nationwide, ENERGY STAR now has over 30% recognition and the label appears on 29 product categories, as well as buildings, homes and financing.
- It provides **utilities** with a low cost tool to help their customers purchase energy efficient products.
- **Manufacturers** and **retailers** benefit since ENERGY STAR financing equips contractors and sales staff with an effective tool for overcoming the higher initial cost associated with some ENERGY STAR labeled products.
- Since financing generates profits for the **lender**, it can be used as a year round marketing tool requiring minimal investment.
- Financing data can be an effective tool for tracking sales and marketing performance.

What are the criteria?

While ENERGY STAR financing can be tailored to the business interests of your organization, the financing product must meet the following criteria:

- The financing product must be designed to give consumers the incentive to purchase ENERGY STAR labeled products.
- The lender must strive to offer customer approval within 24 hours or less.
- The lender must strive to offer funding within 3-5 days.
- Paperwork must be kept to a minimum.
- A utility, manufacturer, or retailer must sponsor the financing.
- Both the sponsor and lender must sign an agreement with EPA.

In addition, a marketing commitment on behalf of the sponsor and/or finance company, which may include sales training on the use of the financing product as well as consumer education, is strongly recommended.



Can you provide examples?

There are generally two types of ENERGY STAR financing:

- The first type of ENERGY STAR financing is financing that is only offered for ENERGY STAR qualifying models. This type of financing is attractive to utility energy efficiency program sponsors, manufacturers and retailers wishing to provide an exclusive advantage for their ENERGY STAR product line. The financing generally requires that the consumer purchase at least one ENERGY STAR labeled product, but allows for financing a variety of other products and services once this requirement is met.

For example, New York State Energy Research and Development Authority's (NYSERDA's) ENERGY STAR financing offered to New York State homeowners allows consumers who purchase an ENERGY STAR labeled product to also finance other qualifying home improvement measures as follows:

Major Measure (Must Finance At Least One)	Secondary Measures (Can be Financed in Addition to Major Measure)
• ENERGY STAR Labeled HVAC	• Efficient Water Heaters
• ENERGY STAR Labeled Windows	• Photovoltaic Solar Electric Systems
• ENERGY STAR Labeled Appliances	• Renewable Energy Systems
• ENERGY STAR Labeled Lighting	• Roofing, Siding
• Home Performance with ENERGY STAR	• Others

Major measures can be tailored to the unique needs of the program sponsor and may include a variety of ENERGY STAR labeled products. Secondary measures may include other products and services that improve the efficiency, quality, and comfort of the home. In addition, the sponsor has the option of providing interest rate buy down as an added consumer benefit. NYSERDA is currently offering 5% interest rate financing for qualified measures.

- The second type of ENERGY STAR financing offers financing for both ENERGY STAR and non-ENERGY STAR labeled products within the same finance program, but provides an incentive to purchase the ENERGY STAR qualifying model. This type of financing is attractive to manufacturers and retailers who want to offer consumers the ability to purchase their entire product line with one financing product. Sponsors can tailor the financing to meet their objectives while providing a consumer benefit for purchasing ENERGY STAR labeled products.

For example, Carrier's ENERGY STAR financing allows a consumer to purchase either an ENERGY STAR qualifying or a standard efficiency heat pump, furnace, and/or central air conditioner, but offers a lower interest rate and different payment stream for ENERGY STAR labeled equipment:

ENERGY STAR qualifying equipment:	
<u>Interest Rate</u>	13.5%
<u>Fixed Minimum Payment</u>	1.8% of Initial Purchase

Standard equipment:	
<u>Interest Rate</u>	19.5%
<u>Variable Minimum Payment</u>	2.0% of Outstanding Balance



Another variation of this type of financing that would qualify for ENERGY STAR designation is a “deferred payment” option offered exclusively for ENERGY STAR labeled products. Many retailers and manufacturers currently offer these promotions, advertised, for example, as “no payments/no interest for 3 (6) months.” Offering this promotion exclusively for ENERGY STAR labeled products would be an effective way to highlight specific ENERGY STAR labeled product lines.

Is Fannie Mae involved?

Yes, Fannie Mae purchases the loans of some ENERGY STAR financing programs, which are offered by lenders that are Fannie Mae-approved originators. Fannie Mae involvement is not a requirement for offering ENERGY STAR financing; however, Fannie Mae has agreed to offer an interest rate discount once ENERGY STAR financing offered by their approved originators reaches \$10 million per month.

How do we get started?

Basic steps include:

- Finding a lender or sponsor (utility, manufacturer, or retailer) to work with. EPA requires that financing products have the backing of both a lender and a sponsor.
- Developing a financing package that meets ENERGY STAR criteria. EPA is available to work with the lender and sponsor during the process to clarify ENERGY STAR financing specifications.
- Submitting a signed agreement EPA --the agreement is officially referred to as the Partnership Agreement.
- Submit the Feature form to EPA.

For more information, go to: <http://estar4.energystar.gov/estar/ESPartnerLogos.nsf/WebPages/Financing>

Once EPA approves the feature form, you’re ready to begin marketing your ENERGY STAR financing!