



How Financing Can Promote Residential Energy Efficiency Programs



Learn more at energystar.gov



Why is Energy Efficiency Financing Relevant?



- Much interest in energy efficiency and green
- “Traditional” market-based financing harder to access
- Energy efficiency important part of energy security and greenhouse gas emission targets
- Realtors, lenders, appraisers getting better at valuing energy efficiency
- Recovery Act funds targeted for energy efficiency



Recovery Act Funds for Energy Efficiency



- \$3.2 bil for EE and Conservation Block Grants
- \$3.1 bil for State Energy Programs
- \$5 bil for Weatherization Assistance Programs
- \$4 bil to repair and modernize public housing
- \$2 bil in tax credits for residential EE improvements
- \$500 mil for preparing workers for jobs in EE and RE industries



Challenges and Benefits of EE Financing



Benefits:

- EE financing can lower initial costs, help offset uncertainty of energy savings
- Financing can improve EE program effectiveness
- Financing can be used to reach lower-income households

Challenges:

- High initial capital investment
- Lack of information about EE measures and their benefits
- High transaction costs



Existing EE Financing Tools



- Interest rate buy-down
- Stretched underwriting terms (better qualifying ratios, longer payback terms)
- Rebates
- Subsidized ratings and audits
- Loan guarantees and loan reserves



Energy Efficient Mortgages (EEMs)



- EEMs credit a home's energy savings in the mortgage itself
- Give borrowers opportunity to finance EE measures over the long term using qualifying ratios that account for energy savings
- Require more steps to close (need a rating, set-up escrow account)
- Fannie, Freddie, FHA seem interested in improving their EEMs
- More information at energystar.gov/homes, click on "Lenders"



Recent Developments in EE Financing



- Launch of ENERGY STAR Mortgage pilot program in Maine and Colorado.
- Private lenders launching programs to promote green (B of A's Energy Credit Mortgage)
- EGIA and others marketing special financing for Home Performance with Energy Star
- Recovery Act funds going to state and local governments to support energy efficiency activities



ENERGY STAR Mortgage Pilot Program



- Home must be ENERGY STAR qualified, or achieve 20% energy savings via Home Performance or Weatherization Assistance Programs
- For single-family (1-4 family, owner occupied)
- Lenders must become ENERGY STAR partners and undergo a review and approval process conducted by Energy Programs Consortium (energyprograms.org)
- Lenders must offer borrowers real financial benefit (interest rate discount, closing cost help, etc.)
- Launched in Maine and Colorado. Pilot also to include MA, NJ, NY, DC, PA



How EPA is Promoting EE Financing



- Working with HUD to promote ENERGY STAR in low-income housing grant programs (HOPE VI, HOME, CDBG, etc.) and Recovery Act funding
- Working with state housing finance agencies to adopt ENERGY STAR measures in criteria used to allocate low income housing tax credits
- Promoting the ENERGY STAR Mortgage Pilot Program
- Promoting ENERGY STAR's Lender Partnership Program



For More Information



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