

# Consumer Finance for NC Electrification Campaigns



North Carolina Clean Energy Fund

Presentation for Buncombe County

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# Green Banks Fill Market Gaps

- Not actually banks – non-depository
- If it already works – don't replicate it.
- Bring accessible financing products to enable projects that reduce greenhouse gas emissions where the market is not providing that.
- Work ourselves out of a job – pave a path so that private capital partners enter the market at scale.
- Accelerate and strengthen clean energy lending via credit unions, Community Development Finance Institutions (CDFIs), and regional banks.

# Opportunity Ahead (2023-2024)

- ▶ Create 2-3 scalable financing products
  - ▶ Source funding for pilots – local, state, philanthropic
  - ▶ Support NC partners responding to IRA and Infrastructure Act
- ▶ Grow pipeline of fundable projects
  - ▶ partner collaborations
  - ▶ contractor networks and trade associations
- ▶ Position NC to access capital through EPA Greenhouse Gas Reduction Fund
  - ▶ \$27B loan capital
  - ▶ Summer 2023 competition
  - ▶ Capital available ~2024

# Buncombe County Pilot Opportunity

- ▶ Standardized consumer loan product to drive electrification priorities in Buncombe County
  - ▶ Focus on heat pumps and/or heat pump hot water heaters
  - ▶ Engage local lenders and contractors
  - ▶ Provide financing platform & loan loss reserve
- ▶ Demonstrate the model that will be replicated statewide.

# Leverage a National Consumer Finance Platform

## "Smart-E" Program Snapshot

Active & successful in Connecticut, Michigan and Colorado

- Over \$500M loans, 40,000 homeowners in 3 states (CT, MI, CO)
- 19 community lenders
- 1,000+ contractors across all trades – solar, efficiency, HVAC and more
- Excellent portfolio performance

Model built by Inclusive Prosperity Capital, a spinoff of Connecticut Green Bank

Expanding to new states in collaboration with green banks and credit union networks



# Consumer Clean Energy Loans

- ▶ Residential **unsecured loan** product for homeowners
  - ▶ 1-4 unit, owner-occupied residential properties
- ◀ **Easy** application through **local lenders**
- ▶ \$500 - \$50,000 **loan amounts** available
  - ▶ 25% of loan for “other”
- ▶ Platform supports 40+ energy improvements
  - ▶ Heating and cooling, solar, insulation, windows, etc.



The screenshot displays the Michigan Saves website interface. At the top, there is a navigation bar with the Michigan Saves logo and links for Residential Homes, Commercial Buildings, Contractor Center, and a 'Find Your Contractor' button. Below this is a secondary navigation bar with links for How It Works, Eligible Improvements, Lending Rates, Special Offers, and FAQ. The main content area is titled 'How Does the Process Work?' and features a two-step process:

- 1** Find your Michigan Saves contractor to get an estimate on qualifying home energy improvements. Below this step is a 'Find Your Contractor' button.
- 2** Apply for financing online anytime and have your authorized contractor's six digit ID number handy. Below this step is an 'Apply for Financing' button.

Additional information includes: 'You can also apply by calling 877-867-8522 during designated phone hours.' and a list of operating hours: Monday–Thursday: 8:30 AM–11:00 PM, Friday: 8:30 AM–9:00 PM, Saturday: 9:00 AM–3:00 PM, Sunday: Closed. An image of a woman smiling while working on a laptop is positioned to the right of the text.

# Accessible Loans

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

|      | 5-Years | 7-Years | 10-Years | 12-20-Years |
|------|---------|---------|----------|-------------|
| Rate | 5.49%   | 5.99%   | 6.49%    | 6.99%       |

- ▶ Accessible to lower-credit people → allows credit score as low as 580 FICO
- ▶ Installer-friendly progress payments built into the loan
  - ▶ (1/3 upon closing, 2/3 upon proof of completion)



## Local lenders benefit

- ▶ Loan loss reserve supports all loans made in first 3 years of participation
- ▶ Software platform simplifies making clean energy loans
- ▶ Vetted and trained contractor network drives volume
- ▶ Credit performance of home energy loans is <1%

# Who Does What?

| Community Outreach                  | Outreach to Installers/Contractors                              | Engage lenders  | Originate & service loans | Administer loss reserve, loan platform |
|-------------------------------------|---|---|---------------------------|--|
| Buncombe County and County partners | NC Clean Energy Fund<br><br>Buncombe County and County partners | NC Clean Energy Fund<br><br>Buncombe County and County partners | Participating lenders     | NC Clean Energy Fund                   |

# Estimates Buncombe County Heat Pump &/or Water Heater Campaign Design

Approx. 81,000 owner occupied homes

|                                    | Year 1     | Year 2       | Year 3       |
|------------------------------------|------------|--------------|--------------|
| Estimated participating homeowners | 125        | 138          | 166          |
| Total Annual Closed Loans          | \$ 812,500 | \$ 897,000   | \$ 1,079,000 |
| Total Portfolio Closed Loans       | \$ 812,500 | \$ 1,709,500 | \$ 2,789,000 |

# County can add impact with interest rate buy downs

| Ten year loan  | 0% interest | 5% interest | 9% interest |
|--|-------------|-------------|-------------|
| Total cost of purchase + financing<br>(without tax credit) | \$ 10,000   | \$ 12,700   | \$ 15,000   |

# Program Requirements

- ▶ Loan loss reserve needs
  - ❑ Year 1 \$100K
  - ❑ Year 2 additional \$70K for loans originated in year 2
  - ❑ Year 3 additional \$70K for loans originated in year 3
  
- ▶ Over time, declining loss reserve can be used for other program priorities
  
- ▶ Marketing and outreach
  
- ▶ Contractor engagement support
  
- ▶ Lender engagement support

# Thank you!

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