



powered by AFCFIRST

PENNSYLVANIA DEPARTMENT OF ENVIRONMENTAL PROTECTION
PENNSYLVANIA TREASURY DEPARTMENT
PENNSYLVANIA HOUSING FINANCE AGENCY



powered by AFCFIRST

CONNECTICUT CLEAN ENERGY FUND

Success Stories:

Sustainable Energy Efficiency & Renewable Loan Programs

Peter Krajsa, CEO
AFC First & Great Bear Financial
May 27, 2009


AFCFIRST
SINCE 1947



“One Way” Buydown vs. Sustainable Loan Pool Model

- It is ironic that many “sustainable” and “efficient” energy loan programs are themselves neither sustainable nor perhaps the most efficient use of the money available.
- Funds are depleted through interest rate “buydowns” which require the stakeholder to use all of its allocated funds to subsidize interest rates with one time, “one-way” payments.
- The sustainable funding model allows the stakeholder to *recycle its funds* thereby extending the life of the loan program or making funds available for other purposes.



AFC First/Great Bear Financial

- Lehigh Valley, PA - based energy efficiency lender founded in 1947, processed over 50,000 energy efficiency loan applications
- One of three FannieMae Energy Lenders in the nation, only one based in the eastern United States.
- Provides its EnergyLoan program in from Maine to the Carolinas with over 2,000 Approved HVAC and energy efficiency contractors.
- In process of creating Great Bear banking platform for geographic and programmatic expansion.
- Co-Creator and Administrator of Pennsylvania's self-funding state program, Keystone HELP Energy Efficiency Loan and Rebate Program
- Co- Creator and Administrator of Connecticut's self-funding state solar leasing program, CT Solar Lease, also programs for National Grid, Duke Energy etc
- Focus is on simple, contractor-driven residential energy efficiency financing programs including training, marketing support, education and web integration.



Two Types of Energy Efficiency Customers

REACTIVE



PROACTIVE



AFCFIRST
SINCE 1947

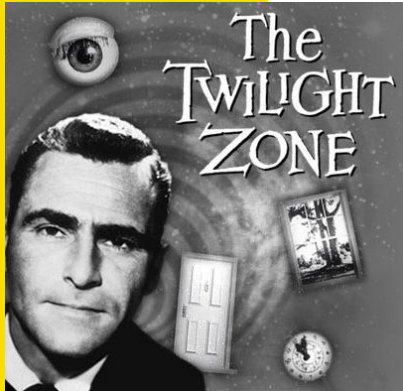


The Facts

- **65 to 70% of all Home Improvements up to \$15,000 are financed on monthly payment plans**
- **90% of improvements greater than \$15,000 are financed on monthly payment plans**
- **Successful programs address both Reactive and Proactive Consumer**
- **Keep it simple for contractor and consumer – the goal is work performed and energy savings, not the number of audits conducted**



REACTIVE Consumer - Welcome to the “Twilight Zone”



- Typical “urgent” HVAC or home repair installations (\$3,000 to \$15,000) are the consumer’s financing “twilight zone” - too big for a credit card, too small for a home equity loan.
- Customer doesn’t want a lien on their home
- Time sensitive – consumer needs work done ASAP
- Contractor-Driven
- “Come-on” or “Teaser” (0% for 6 months type) Financing is not the answer for a major capital purchase and can hurt contactor credibility
- Borrower wants longer term or lower rate than he can get from bank
- Solution: Unsecured point of purchase loan programs with (lower rates based on simple product qualification – ENERGY STAR)

PROACTIVE Consumer - The “Thinker”



- Larger “whole house” improvements (\$5,000 to \$35,000)
- More project driven, less time sensitive
- Interest Tax Deductibility a bigger deal
- More customer thought, engagement and foresight
- Contractor is more a consultant, less a sales person
- Consumer with home equity can get a good rate from own bank, unless state sponsored program is more attractive
- Consumer with good credit but limited home equity has no viable market-based option
- Solution: “Home Performance” model with Energy Audit, recommendations and “better than market” financing

Three Key Components of a Sustainable Loan Program

- **Source of Core Loan Capital**
 - Preferably at below market rate (still better than buydowns as principal is recycled)
- **Integrated Centralized Program Administration**
 - Contractor recruitment, screening and training
 - Loan origination, credit processing and servicing
 - Program marketing, reporting and energy saving data
- **Loan Loss Reserve or Guarantee**
 - Built into rate or provided by external source



History of Keystone HELP®

- **AFC First** started Keystone HELP® with the **West Penn Power Sustainable Energy Fund** in 2005 as an enhanced version of AFC First's EnergyLoan program for higher efficiency improvements.
- The **Pennsylvania Treasury Department** helped expand Keystone HELP statewide in 2006 with a commitment of \$20 million in lower cost funding, which resulted in lower rates to consumers on unsecured loans of up to \$10,000.
- A great success with 3,500 loans and over \$20 million funded in first three years.
- Complete statewide reach with loans made in 65 counties and a network of 1,000 AFC First/Keystone HELP Approved Contractors.



History of Keystone HELP[®]

- Expanded in late 2007 in cooperation with the **Pennsylvania Housing Finance Agency** with the creation of the Keystone HELP “R&R” Energy Loan for larger amounts, up to \$35,000.
- As a result of the Alternative Energy Investment Fund Act, the **Department of Environmental Protection** has committed funds to expand the loan program, reduce interest rates and create a new rebate program for high efficiency and whole house improvements.
- Pennsylvania Treasury Department and Pennsylvania Housing Finance Agency continue to provide the core “recycling” loan capital.
- AFC First administers the program providing contractor management and training and all loan and rebate processing and servicing.



Keystone HELP[®] Addresses Both Reactive and Proactive

FOR THE REACTIVE ENERGY IMPROVEMENT

- Low Rate Unsecured Loan - 6.99, 10 Year Term to \$15,000 for ENERGY STAR Improvements
- Lower Rate Unsecured Loan – 5.99, 10 Year Term to \$15,000 for Advanced Performance Improvements

FOR THE PROACTIVE ENERGY IMPROVEMENT

- Lowest Rate Loans – 4.99% Unsecured, as low as 3.875 Secured plus a \$325 Energy Audit Credit for Whole House Improvements recommended by Certified Energy Audit that predicts a minimum 15% to 25% energy savings (depending on home's energy profile)



Connecticut Solar Leasing Program

- Based on Keystone HELP Model
- First “rate payer” funded solar finance program in nation
- Core Loan Capital provider by Connecticut Clean Energy Fund
- AFC First/Great Bear & partner Gemstone provide program administration
- “Tax Investor” partner US Bank eliminates consumer downpayment
- Moderate Income homeowner can get complete PV system with no money down and payments of \$120 per month
- Over 500 applications in first years, well ahead of pace to install 1,000 system in 3 years



Issue Regarding Going to Scale

- Need for ongoing sources of Core Capital – need to establish a secondary market
- Loan loss guarantee or reserve a key component to this
- Keep programs simple and consumer friendly – direct loans to consumers, don't saddle property
- National standards for qualifying improvements
- Address both Reactive and Pro-Active Customers

