

# RESIDENTIAL ENERGY EFFICIENCY FINANCING MARKET TRENDS

Presented: 5/23/2016



Opinion **Dynamics**

# Overview

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- Trends throughout the country
- A closer look at CA
  - Where our data comes from
  - What's Out There: Energy Efficiency Financing Products (EEFPs) in the Market
  - Contractor Support of EE Financing
  - Customer Demand for EE Financing
- Market Opportunities

# Energy Efficiency Financing: New or a fresh take on an old theme?

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Qualified for lower  
energy efficiency  
interest rate in 1972



# Turn of the century started a growing trend in public-funded financing programs



\$2M



\$15M



\$300M



\$100M



\$184M



\$200K



\$1B

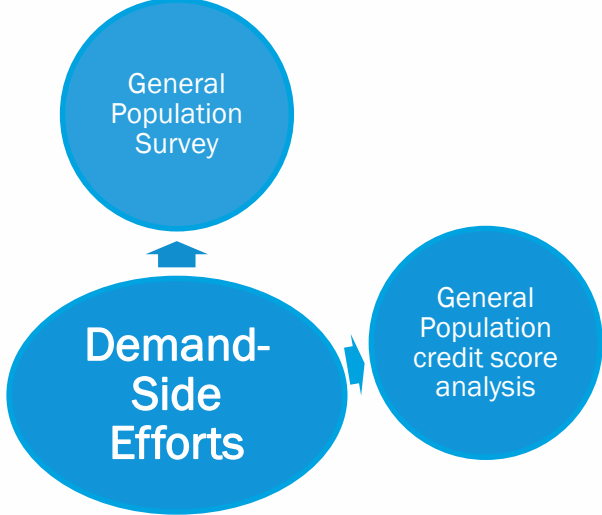
\*Cumulative loan volume based on public data sources

# A closer look at the CA market for energy efficiency

## Supply-Side Baseline Efforts



## Demand-Side Baseline Efforts





# What's Out There: Energy Efficiency Financing Products in the Market

# There are three common types of Energy Efficient Financing Products (EEFPs) in the marketplace now



**Home Equity Loans:**  
incorporate energy-efficient upgrade costs in the overall mortgage value



**Term Loans:**  
with specific energy-related requirements, secured against the financed equipment or not

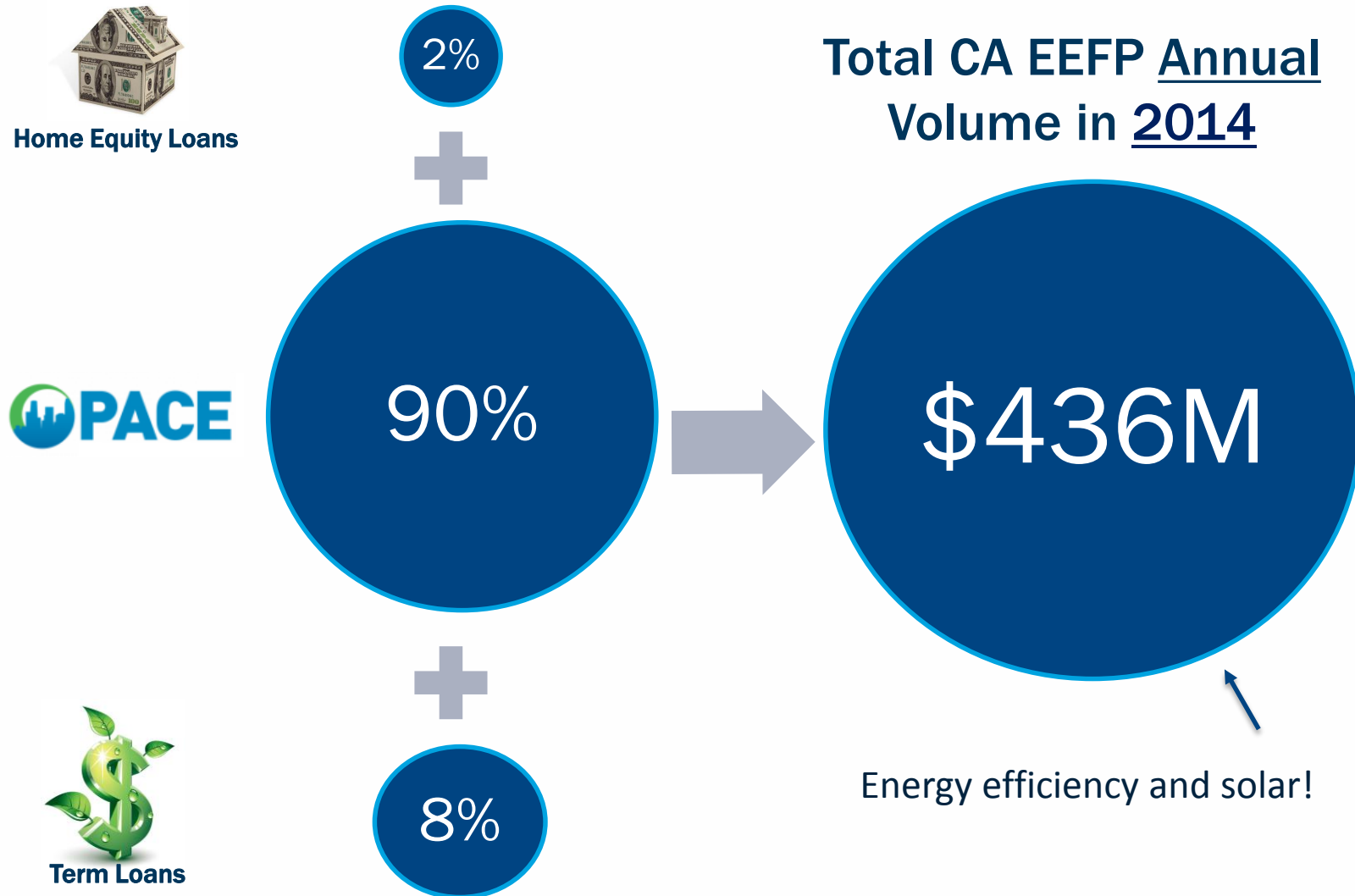


**PACE Loans:**  
repay loans through a tax assessment on the property

Product Design	Number of Fis* offering loan type	<b>60</b> (primarily FHA PowerSaver and private lender supported)	<b>23</b> (primarily credit unions)	<b>10</b>
	Security type	Mortgage lien	Equipment/ unsecured	Priority lien leading to Tax Impact
	Qualification criteria	D/I ratio, property value, FICO score, equity	FICO score/ability to pay	Sufficient equity/ payment history

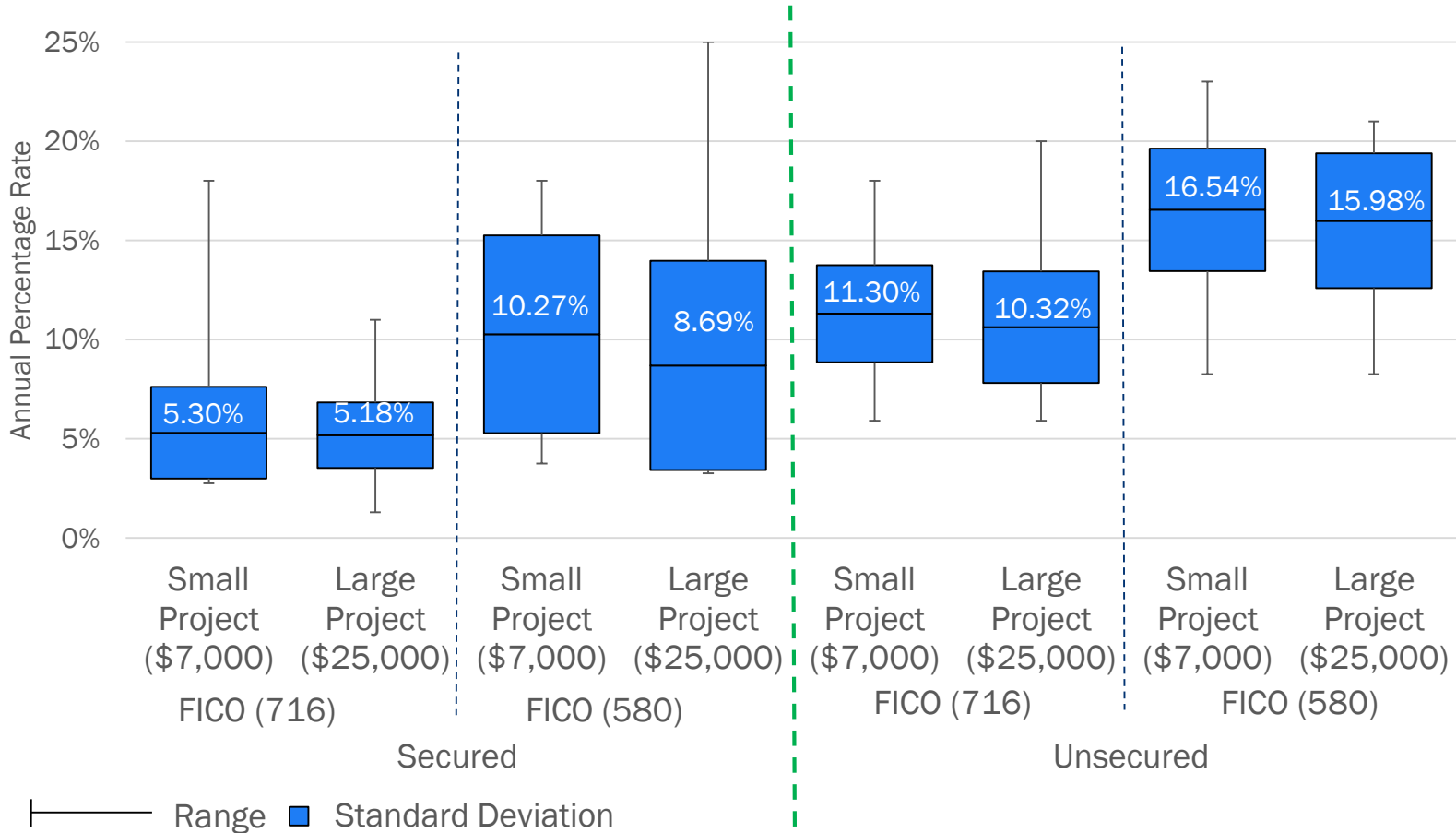
\*Financial Institutions

# PACE dominates the market for energy efficiency financing





# Interest rates offered to customers throughout CA

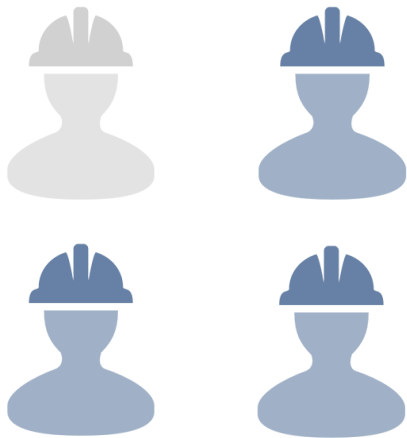




# Contractor Support of EE Financing

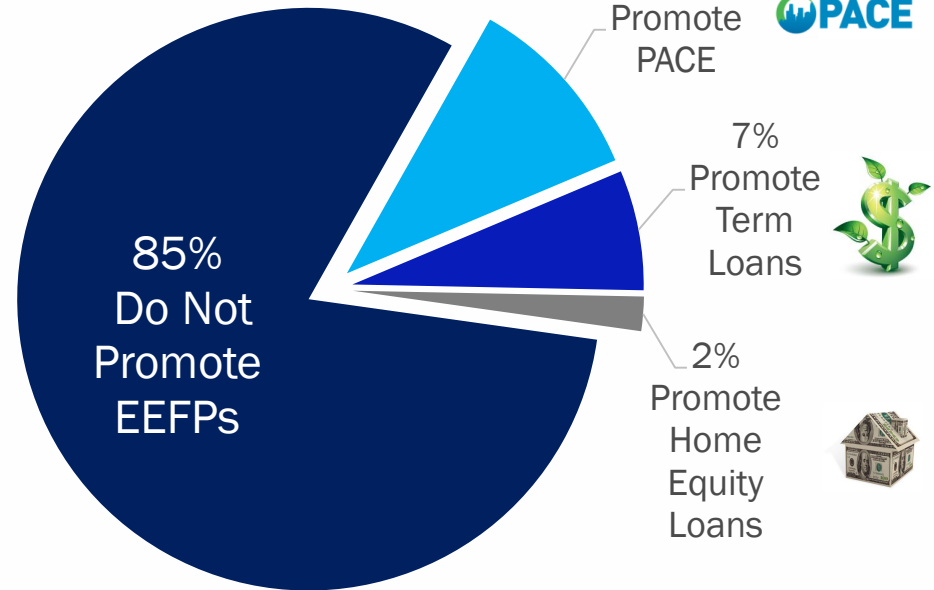
# Many contractors are aware of EEFPs but few promote them

About three of four contractors (71%) are aware of EEFPs...



Contractors who are aware tend to be larger and offer solar

...but 15% promote them



Contractors who promote are mainly promoting PACE

# 85% of contractors face barriers to promoting EEFPs

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3/4<sup>th</sup> of homeowners who used financing noted financing allowed them to undertake measures that would not have been otherwise possible

**Perceived lack of customer need for financing (44%)**

**Perceived lack of capacity to promote financing (40%)**

**Barriers**

**Lack of awareness of financing options available (35%)**

**Lack of interest in promoting financing (15%)**

(n=156)

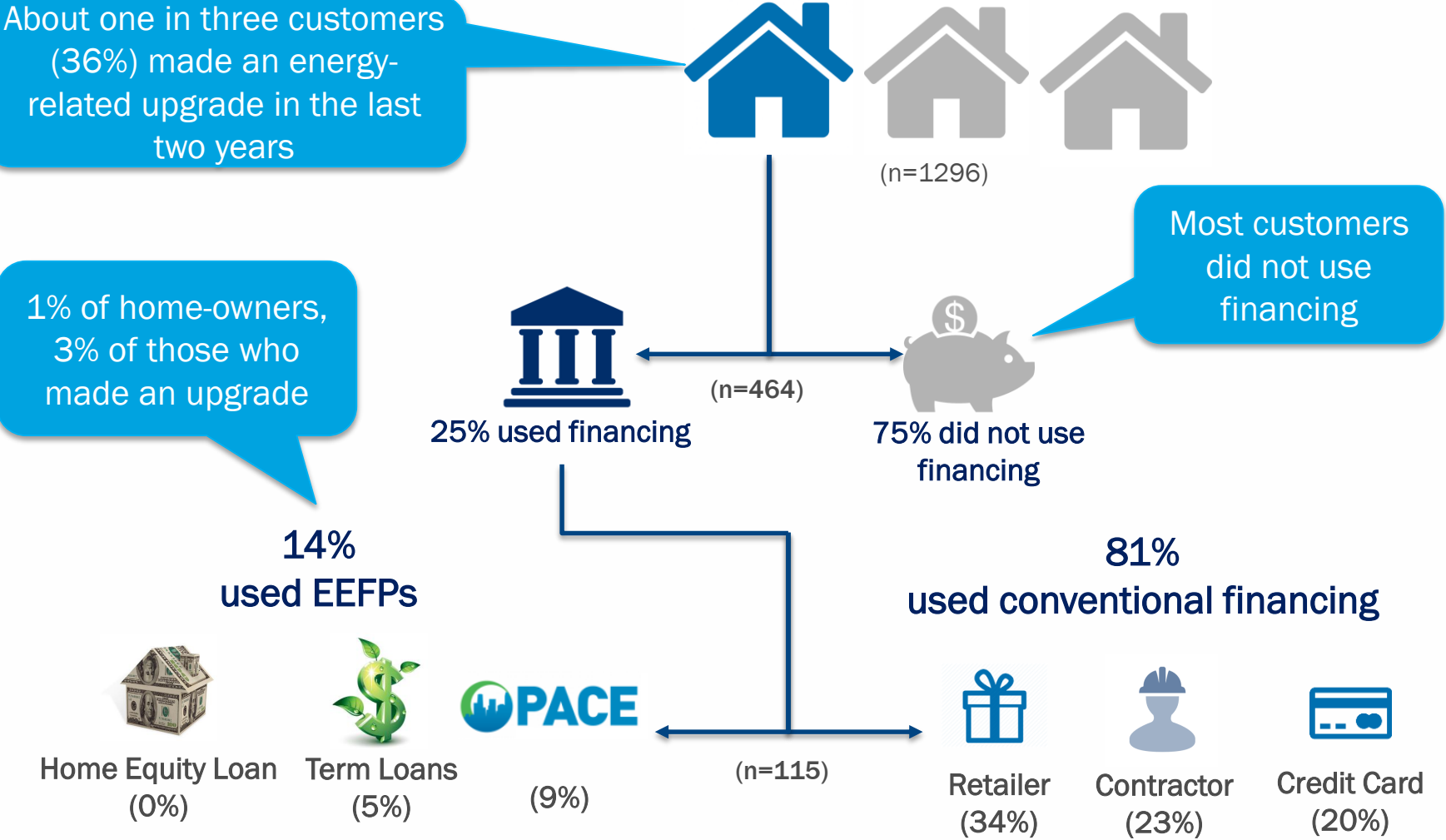


# Customer Demand for EE Financing

# EEFPs represent a small fraction of how homeowners pay for energy-related home upgrades

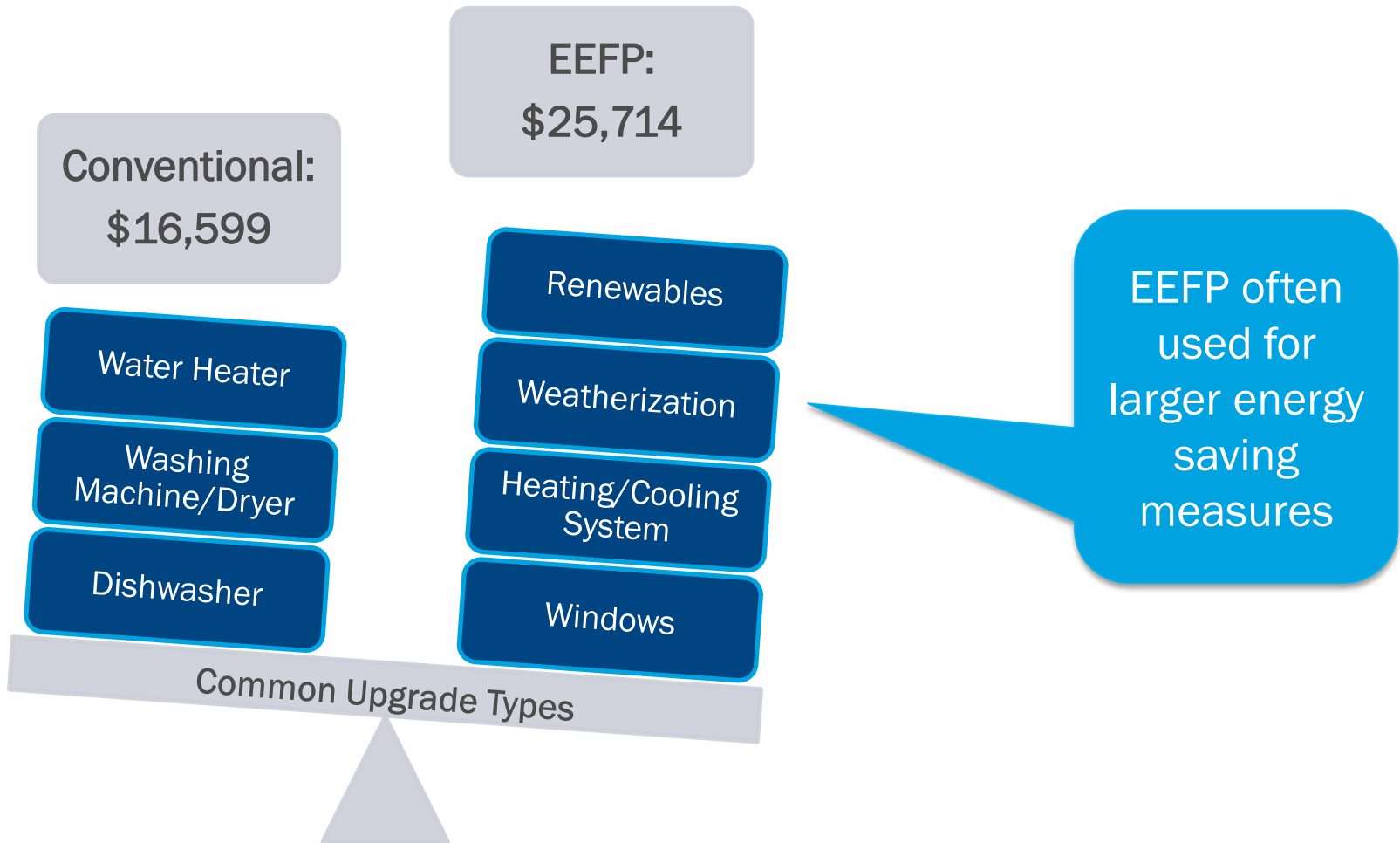
About one in three customers (36%) made an energy-related upgrade in the last two years

1% of home-owners, 3% of those who made an upgrade



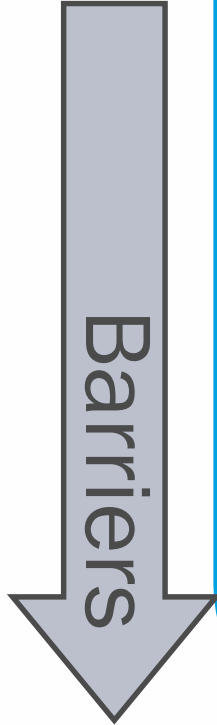
# Homeowners who use an EEFP are more likely to undertake a larger project

## Average Project Cost



# Customers face large barriers to completing upgrades and using financing, but EEFPs may present opportunities

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- **Low Awareness:** One in three homeowners is aware of EEFPs
- **High Upfront Cost:** 54% of homeowners agreed that the higher upfront costs is why they might not buy a high-efficiency item
- **High Interest Rates:** 62% felt that the interest rates available to them are too high

- **Continued demand for Upgrades:** Four in ten homeowners likely to make upgrades in the next two years
- **Continued demand for Financing:** 27% are at least “somewhat likely” to use financing
- **EEFPs could increase affordability:** 13% said a loan could help overcome the high upfront costs of an EE product





# Thank you!

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