



Evolution of Residential Loan Programs: Building Markets by Reducing Risk & Fostering Collaboration

ACEEE Finance Forum
May 22, 2018



Connecticut Green Bank

Delivering Results for Connecticut



- **Investment** – mobilized nearly **\$1.2 billion** of investment into Connecticut’s clean energy economy so far
- **Energy Burden** – reduced the energy burden on over **26,600 households and businesses**
- **Jobs** – created over an estimated **14,000 total job-years** – 5,500 direct and 8,700 indirect and induced*
- **Clean Energy** – deployed more than **250 MW** of clean renewable energy helping to reduce over 4.0 million tons of greenhouse gas emissions that cause climate change

Mobilized \$200 Million in Residential Financing

Since 2013, \$137 million across 5,600 projects in single family.



REFERENCES

CT Green Bank data warehouse report from July 1, 2011 through February 28, 2018

*62,500 private non-farm jobs created in the state over 5 years since Green Bank creation mid-2011. Green Bank statistics are in job-years; “total jobs” include direct, indirect and induced. CT DOL statistics are aggregated from monthly point-in-time estimates. CT Department of Labor - <http://www1.ctdol.state.ct.us/lmi/privatesectoremployment.asp>

Smart-E Loan *Quick, Easy, Affordable*



- Unsecured personal loan that encourages **bundling energy measures**
- **40+** energy improvements can be financed
 - Boilers, Furnaces, Heat Pumps, Central Air, Insulation, Solar, EV chargers and more!
- **12** local lenders, **315** eligible contractors
- 25% of the loan can be used to address **health and safety**
- **Special Offer** Interest rate buydowns when available

Loan Terms

5-yr	7-yr	10-yr	12-20-yr
4.49%	4.99%	5.99%	6.99%

- **Standard:** **640+ FICO**, 40-45% DTI
- **Credit-Challenged:** **580+ FICO**, 50% DTI



smart-e loan

Smart-E Results



- **2,700** closed loans totaling **\$48 million** of investment
 - 1,500 financed with .99% special offer (\$28M)
 - 425 financed with 2.99% special offer (\$10M)
- **38,000 MMBTUs** saved, **7.6MW** of solar PV
- **\$18,000** average amount financed
- Average FICO is **739**, trending down, DTI 30%
- Superior portfolio performance



TOP SMART-E MEASURES	
Measure Category	Percent of Projects
Solar PV	18%
Boiler	17%
Insulation	13%
Other*	10%
Ductless Heat Pump	10%
Furnace	10%
Central AC	9%
Hot Water Heater	5%
Windows	3%
Air Source Heat Pump	3%
Electric Heat Pump Water Heater	2%
Geothermal Heat Pump	1%

*Other may include doors, appliances, or health and safety remediations

Using Special Promotions with Market Transformation in Mind



Goal: Use a 7 month 0.99% interest rate buydown to achieve lasting impacts on the market and

- 1. Support state policies** to drive customer awareness of specific technologies/packages
 - Heat pumps, solar +, going deeper, natural gas conversions
- 2. Create customer “pull” with contractors** to recruit new companies to Smart-E
- 3. Deepen contractor engagement** with Smart-E

During Campaign	After Campaign
<ul style="list-style-type: none">• 6x increase in volume• 54 new contractors, bringing total to 300• 85% of contractors used product during campaign<ul style="list-style-type: none">• vs. 60% in the year before	<ul style="list-style-type: none">• Volume didn't collapse!<ul style="list-style-type: none">• Next quarter, did as much volume as the <i>entire year</i> before the campaign• Trained 15 new contractors• Contractors now funding their own interest rate buydowns with lenders

Contractor Engagement Strategies



Nurture contractors, show them love!

- Contractor matchmaking events and conferences
- Quarterly “Coffee and...” with utilities
- Recognition programs
- “Road shows”
- Be responsive!

Looking for a more efficient way to chill?

LIMITED-TIME LOW RATES **0.99%**

NO MONEY DOWN / LONG-TERM FINANCING

Heat pump technology is the solution for savings and comfort.

smart-e loan
EASY AS CHILD'S PLAY

Get Flexible Financing with a Smart-E Loan No money down and low-interest financing to help you upgrade your home's energy performance. Over 40 home improvement projects that reduce energy use and lower utility bill costs may qualify.

Take advantage of the Smart-E Bundle by completing two or more qualifying upgrades and save even more with the lowest rates. **Do More to Save More with a Smart-E Bundle.**

Solar PV Bundles	Insulation Bundles	Home Energy Solutions Bundle	High Efficiency HVAC Bundles
<p>Go solar and add:</p> <ul style="list-style-type: none"> attic, wall or floor insulation heat pump* high efficiency boiler or furnace tankless or indirect water heater electric vehicle charging station central air conditioning energy efficient windows 	<p>Attic/wall/floor insulation combined with:</p> <ul style="list-style-type: none"> energy efficient windows heat pump* high efficiency boiler or furnace tankless or indirect water heater solar PV 	<p>Participate in HES and install:</p> <ul style="list-style-type: none"> attic, wall or floor insulation heat pump* high efficiency boiler or furnace 	<p>Boiler or furnace paired with:</p> <ul style="list-style-type: none"> attic, wall or floor insulation heat pump* solar PV

Single eligible measures installed in the last 5 years, and HES participants within the last 12 months, may qualify for the bundle rate. Proof of installation is required.

LIMITED-TIME LOW RATES

0.99%

NO MONEY DOWN / LONG-TERM FINANCING

Call 860-563-0015, visit www.ctgreenbank.com/smart-e, or email smart-e@ctgreenbank.com today.



*Heat pumps include air source hot water heaters, ductless mini splits, and geothermal.

Leveraging Stellar Portfolio/Reserve Performance into Expanded Terms



Sophisticated Credit Enhancement

- Loan Loss Reserve (LLR), structured as 2nd loss after lender first loss of 1.5% of portfolio
- LLR account as a % of each loan issued:
 - Class A (680+ FICO) is 7.5%
 - Class B (<680 FICO) is 15%
- 100% of account for loss mitigation in excess of retained loss

LLR performance at end of 2016 – too good!

- Only 1 payout for \$20K
- 0.25% charge-offs, 0.62% delinquencies
- Decline rate was high – 28%
- Average FICO 753

“Spent” the good performance on broader underwriting criteria → bring down declines and serve more customers

- Got longer terms too (up to 15/20 years)

Spring 2017 Credit-Challenged Smart-E Launched

- **580+ FICO** with a 50% DTI, DTI waived for 680+ FICO
- 6 lenders: CDFI, all credit unions, 1 bank

Last 15 months... **21%** decline rate, **733** avg. FICO
Performance is similar (but still early)

Where Next?

Loan Loss Reserve 2.0?

- Could we move to a model where we only cover loans that aren't super-prime?
- Is any change possible in a rising interest rate environment?
- Remember – the purpose of the LLR is to get lenders to drop rates, go out longer (fixed), and *not* risk price.

More contractors funding interest rate buydowns directly with lenders

More uptake in low-to-moderate income/Credit-Challenged – product *should* be a home run

- **35%** of projects in census tracts <100% AMI
- **75** credit-challenged loans since April 2017



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