A Quick Review of the Industry and Trends

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The Overview

- EE financing in the residential sector is nothing new.
  - Unsecured home improvement financing has been around for decades
  - Energy efficient mortgages have been around since the late 1970s
  - Specialized unsecured EE financing through Fannie Mae originated about $1,000,000,000 and 120,000 loans over a bit more than a decade.

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Trends: A Maturing Industry

- **Consolidation**: AFC First merged in to Renew Financial; Viewtech purchased by Kilowatt, which merged with Clean Power Finance to form Spruce.
- New **entrants**: FigTree moving from just commercial PACE to residential PACE, and attracting new capital. New capital commitments to PACE and resulting from sale of Fannie Mae portfolio.
- New **money**: Significant new capital commitments to Renew & others. Securitizations for PACE and unsecured loans. The re-launch of PA's Keystone HELP program with new money. New USDA funds available.

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EE Project Characteristics

Project Characteristics	Finance Characteristics	What's Needed?
Based on known, well-understood technology		
Usually (not always) done when the old equipment has died		
Sold by the contractor		
Sold based on immediate need, somewhat on energy savings, but not usually on cost savings		

Add: Financial Characteristics

Project Characteristics	Finance Characteristics	What's Needed?
Based on known, well-understood technology	About $8,500 (small)	
Usually (not always) done when the old equipment has died	4-5 year terms with lots of pre-pays	
Sold by the contractor	Excellent credit (above 700 FICO)	
Sold based on immediate need, somewhat on energy savings, but not usually on cost savings	High, hard to control counterparty risk	

Add: Instrument Needs

Project Characteristics	Finance Characteristics	What's Needed? Instruments that are:
Based on known, well-understood technology	About $8,500 (very small)	**Cheap** to originate
Usually (not always) done when the old equipment has died	4-5 year terms with lots of pre-pays	**Fast** to originate
Sold by the contractor	Excellent credit (above 700 FICO)	**Easy** to apply for
Sold based on immediate need, somewhat on energy savings, but not usually on cost savings	High, hard to control counterparty risk	**Integrated** with the contractor sale
		Endorsed by a credible third party

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What Instruments are available to meet the needs?

What's Needed? Instruments that are:
Cheap to originate
Fast to originate
Integrated with the contractor sale
Easy to apply for
Endorsed by a credible third party

The Instruments	Structured As:	Regulated As:
Secured financing	1st or 2nd Mortgages	Direct
	PACE	Unclear
Unsecured financing	Closed end	Direct
		Indirect (Dealer)
	Revolving	
Other	On-bill	Closed end direct or dealer

Which are the effective Instruments for EE?

The Instruments	Structured As:	Regulated As:
Secured financing	PACE	Unclear
Unsecured financing	Closed end	Direct
		Indirect (Dealer)
	Revolving	

Growing at breakneck speed where allowed; still maturing

Significant potential, fewest regulatory & other hurdles

By far the national leader

The Summary

- We’re a lot smarter than we used to be about how to finance EE.
- There have been dramatic new developments in the industry in the past 24 months.
- We are in a big state of flux – with plenty of potential, but some real questions. The next year or two will be critical.