

# ACEEE Finance Forum

What does it take to make a  
commercial financing program work?

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May 21, 2018

# Michigan Saves

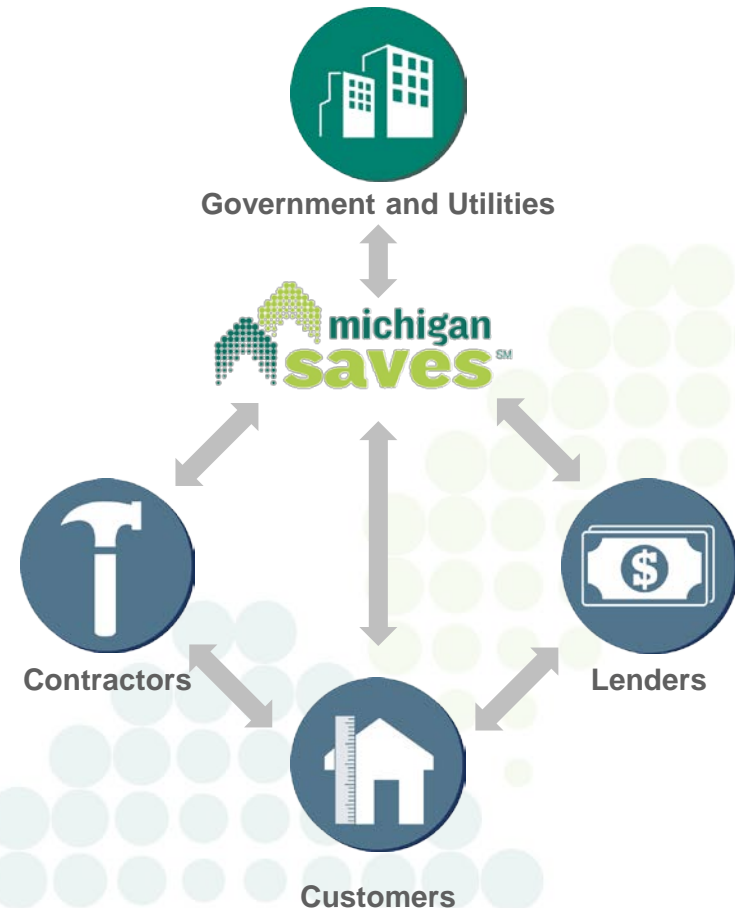
Easy, Affordable Options for Residential, Commercial, and Municipal Energy Improvements



[MichiganSaves.org](https://MichiganSaves.org)

- Nonprofit organization staffed by management contract
- Process driven by research and stakeholders
- Loss reserve for lenders
- Provides oversight of authorized contractors
- Monitors compliance of program guidelines
- Provides technical assistance and quality control
- Drives demand for energy efficiency through outreach and incentives
- Monitors customer satisfaction

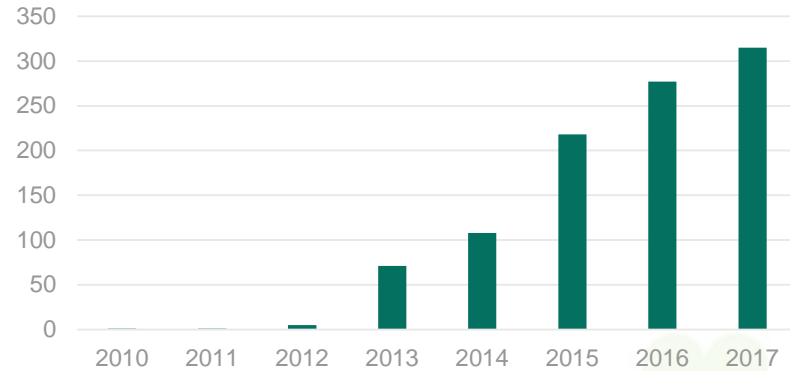
# Michigan Saves: Michigan's Green Bank



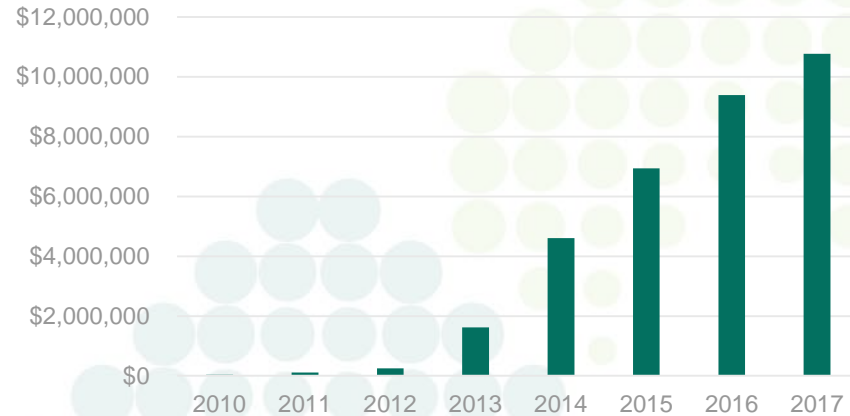
# Michigan Saves Business Energy Financing Program



### Volume



### Value







## The Early Years: 2010–2013

- Detroit Food Service Pilot
- Local community development financial institution lender
- Loss reserve: 50 percent
- Interest rate buydowns: 1.99%
- Free audits

# Challenges

- Small businesses have limited resources
- Energy efficiency is not a priority
- Equipment is replaced when it fails
- Few contractors offered comprehensive energy-efficiency services
- Lender's process was complex and lengthy
- Our brand was new; we were not a trusted messenger

# Approach

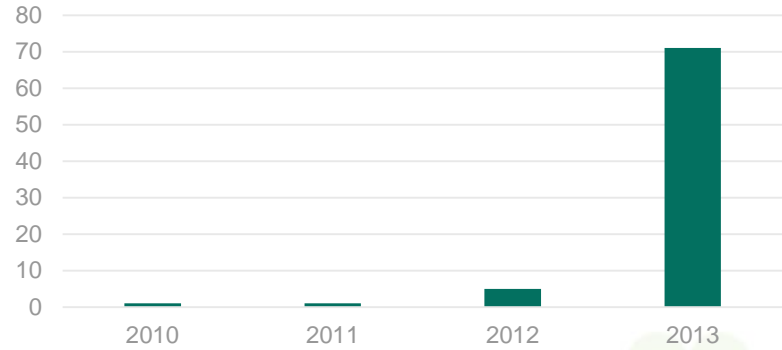
- Developed marketing partnership with food service experts
- Selected and worked closely with several strong contractors
- Offered aggressive financial incentives



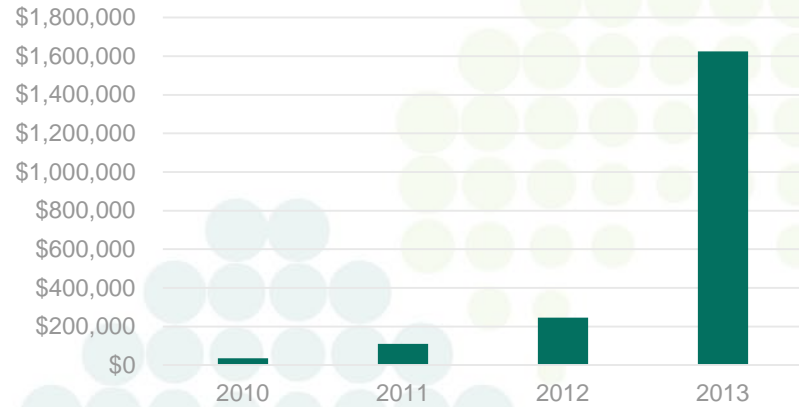
# Results



## Volume



## Value







## Expanding Statewide:

2013–2014

- All commercial entities
- Statewide lender
- Loss reserve: 25 percent
- Interest rates: Starting at 5.00% APR
- Terms: Two to five years
- Amounts: \$2,000–\$250,000

# Challenges

- Small businesses have limited resources
- Energy efficiency is not a priority
- Equipment is replaced when it fails
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# Approach

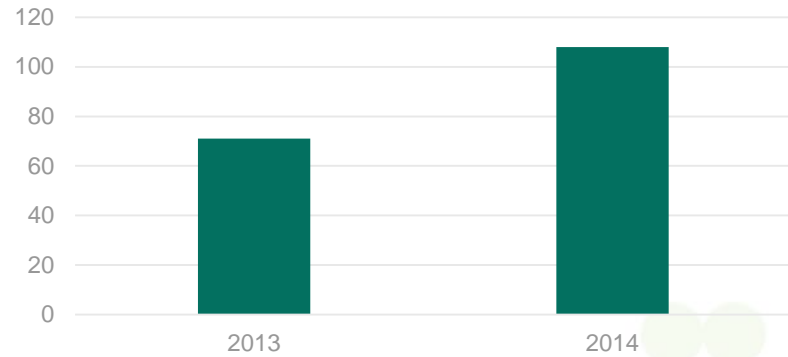
- Brought on an equipment finance lender with streamlined paperwork and processes
- Worked with utilities to build contractor network
- Created and distributed case studies
- Attended and presented at events, tradeshow, industry groups, and contractor associations



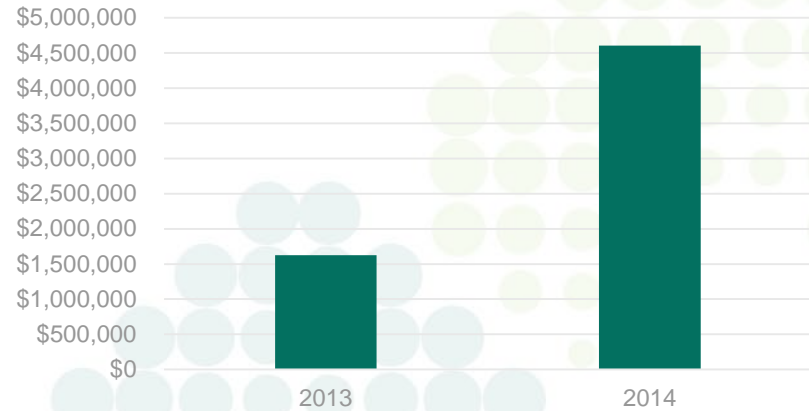
# Results



## Volume



## Value





## Utility-funded Interest Rate Buydowns: 2014–2018

- All commercial entities
- Two statewide lenders
- Loss reserve: 10 percent
- Interest rates: Starting at 0.00% APR (with buydowns)
- Terms: Two to seven years
- Amounts: \$2,000–\$1,000,000



# Challenges

- Small businesses have limited resources
- ~~Energy efficiency is not a priority~~
- ~~Equipment is replaced when it fails~~
- ~~Few~~ Several contractors offer comprehensive energy-efficiency services
- ~~Lender's process was complex and lengthy~~
- ~~Our brand was new; we were not a trusted messenger~~



# Approach

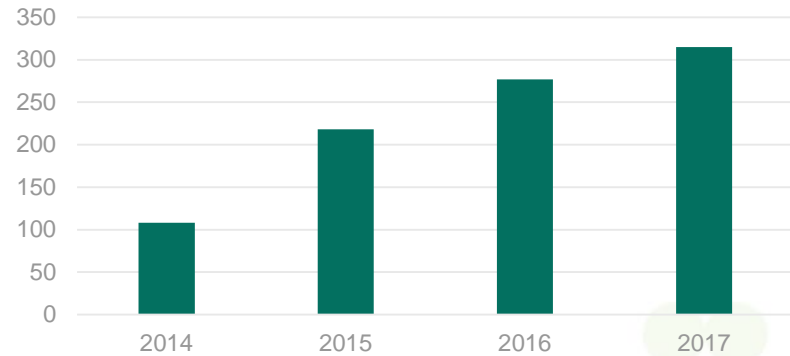
- Competitive rates and terms
- Expanded underwriting because of loss reserve
- Strong and active contractor network
- Easy process for customers, contractors, and lenders
- Minimal contractor paperwork
- Small contractor fee



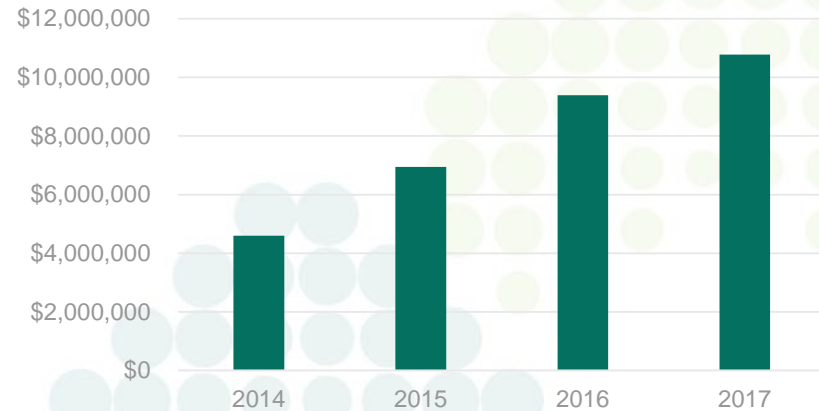
# Results



## Volume



## Value



# Lessons Learned

- Low interest rates drive demand
- Ease of use for contractors and customers is essential
- Strong network of authorized contractors is key
- Partners are invaluable
- Continuously listen and adapt



# What's Next?

Five- to seven-year goal:  
Finance **\$1 billion** of energy  
improvements

- Introduce lender to serve market gap between current program and Commercial PACE



- Terms: Seven to ten years
- Project size: \$250,000 and up
- Interest rates: Start at 6.00% APR
- Loss reserve: Not required

- Continue to use interest rate buydowns when available
- Analyze effectiveness of loss reserve
- Identify additional market gaps and develop programs that serve needs of commercial market



# Questions



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