

# Effective Programs and Market Hurdles in Residential Energy Efficiency Financing



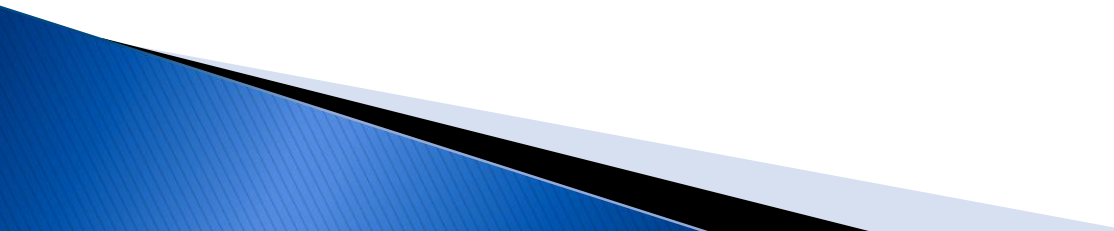
Peter Krajsa  
Chairman/CEO  
AFC First Financial Corporation  
April 19, 2012  
[pkrajsa@afcfirst.com](mailto:pkrajsa@afcfirst.com)

# AFC First – A National Leader in Residential Energy Efficiency Lending and Programs

- **Contractor-driven, energy related home improvement lending is our primary business.** Founded in 1947, our complete focus since 1999 has been assisting high-quality contractors and motivated consumers to affordably install energy related home improvements
- AFC First is one of only three Fannie Mae approved Energy Lenders in the U.S. and considered a national leader in this market
- National footprint with over 3,000 Approved Contractors, Manufacturer, Utility and State and Municipal Partners and Sponsors
- We operate the Green Energy Training Center & Academy for Home Performance, BPI and contractor sales training
- **Creating new Green Energy Federal Credit Union for program expansion**
- **Named nation's first private Home Performance with ENERGY STAR sponsor by US DOE on October 1, 2011 (non-utility, state, municipal or non-profit)**
- **Selected as one of 18 national Power Saver pilot lenders by HUD and DOE**

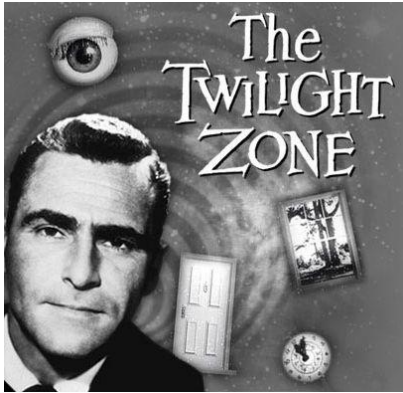


# Engaged Contractors and Well Designed Financing Programs Drive Residential Energy Efficiency

- In the current “Perfect Storm” of Energy Cost crunch and Credit Contraction, consumers and contractors more than ever need simple financing options to make energy improvements
  - 70% of all Home Improvements up to \$15,000 are financed in one way or another, 90% of improvements greater than \$15,000 are financed
  - Contractors drive most of this demand
  - Rebates and tax credits are great – but where does the rest of the money come from?
  - Keep it simple for contractor and consumer – the goal is work performed and energy savings, not the number of audits conducted
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# Two Kinds of Energy Efficiency Customers

## “Reactive” – 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.
- The vast majority of energy efficiency improvements
- 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)

# Two Kinds of Energy Efficiency Customers

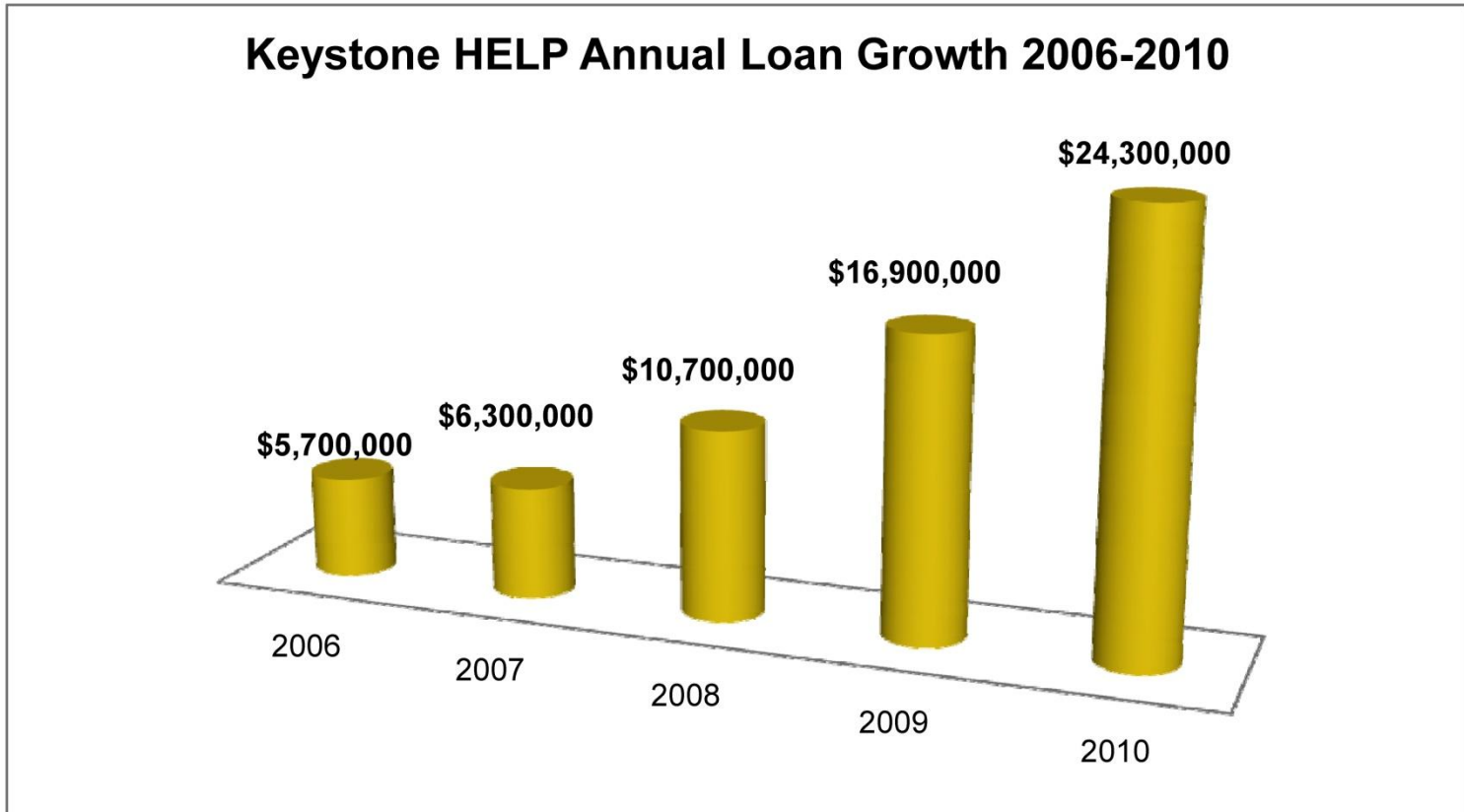
## “Proactive” – The Thinker



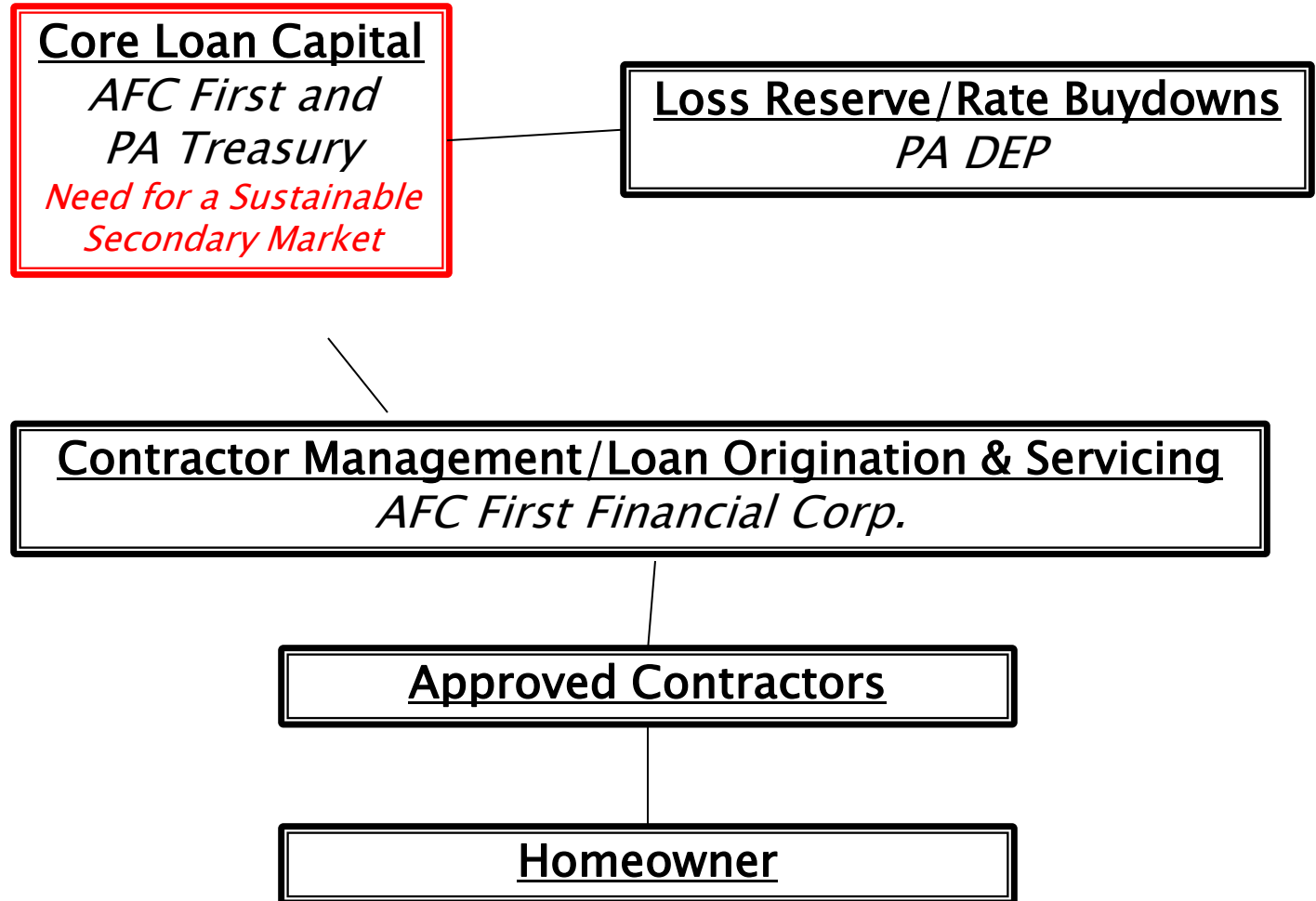
- “Whole house” improvements are larger projects which generally require financing
- More project driven, less time sensitive
- Contractor is the expert
- More customer thought, engagement and foresight
- Borrower may not have adequate home equity for an loan
- Solution: “Home Performance with ENERGY STAR” model with Energy Audit, recommendations and lower rate than “Reactive” financing



# Successful Programs Address Both Markets With Higher Incentive for Deeper Retrofits

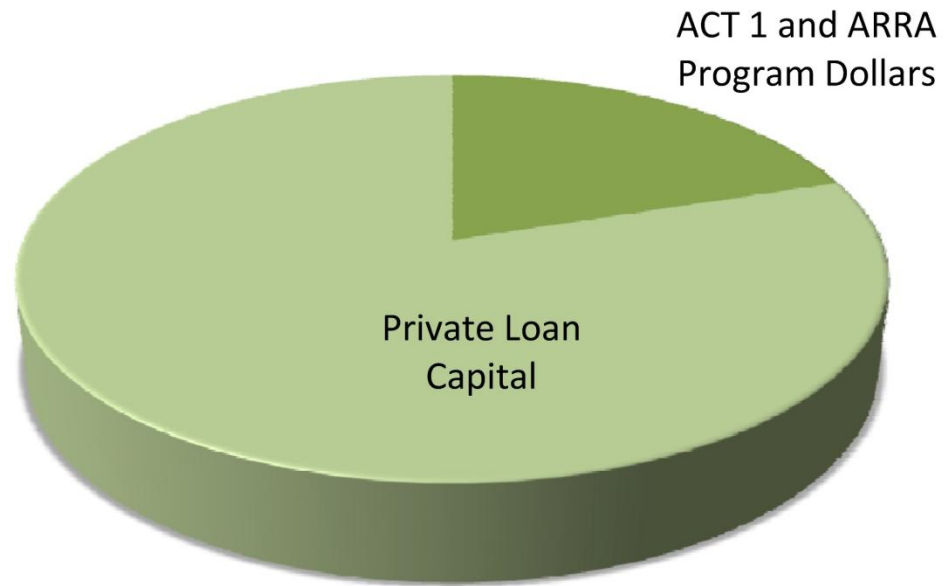


# Pennsylvania's Keystone HELP Model



# Program Dollars for Loss Reserves and Other Incentives Promote Private Capital Investment

## Keystone HELP Leverages More Than 5 to 1





## Special Low Rate, Low Payment Financing for Energy Efficiency Improvements for Pennsylvania Homeowners

With Keystone HELP® (Home Energy Loan Program), most Pennsylvania homeowners who meet the program's eligibility guidelines can get a low cost loan for ENERGY STAR® rated and high efficiency heating, air conditioning, air sealing, insulation, windows, and "whole house" improvements using Home Performance with ENERGY STAR®. These special loan terms can help you save thousands of dollars over the life of your loan, further enhancing the financial impact of your energy savings and minimizing out of pocket costs.

### Special Features:

- **TRUE FIXED RATE** ® **Unsecured** Financing
- Loans from \$1,000 to \$15,000 for Keystone HELP, Up to \$25,000 for standard EnergyLoan
- **100% Financing Available**
- **Low Fixed Rate, Fixed Monthly Payments**
- **No Lien Filed on Your Home**
- **No Home Equity Required: New Homeowners OK**
- **No Points, Fees or Closing Costs**
- **Up to 10 Years to Repay - No Prepayment Penalty**
- **Work must be done by an Approved Contractor**

### Who is Eligible?

All homeowners who are making qualifying improvements to their home (1 to 2 unit primary residence on permanent foundation) are eligible. Good credit and the ability to repay are required; some programs have maximum eligible income levels. See [keystonehelp.com](http://keystonehelp.com) for full details.



### How Do I Get a Keystone HELP® Loan?

1. Visit your AFC First Approved Contractor and get an estimate for qualifying improvements.
2. For fastest approval see your Approved Contractor, apply online at [keystonehelp.com](http://keystonehelp.com), or apply by phone at (888) 232-3477.
3. We'll have a quick decision on your application and answer any questions you may have.
4. We pay the Contractor directly when the work is done to your satisfaction.

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[www.keystonehelp.com](http://www.keystonehelp.com)

### Who May Perform the Work?



Only Keystone HELP® Approved Contractors may perform the work. Approved Contractors have been reviewed for financial and ethical stability. Certified Home Performance with ENERGY STAR Contractors must also have BPI certification.



### What Home Improvements Can Be Financed?

Each loan program has specific equipment eligibility requirements, but generally, the items listed below are the types of ENERGY STAR and other qualifying improvements that can be financed under Keystone HELP. Please see your Approved Contractor or visit [keystonehelp.com](http://keystonehelp.com) for a complete list with detailed installation specifications.



- Air Source Heat Pumps
- Central AC Systems
- Boilers (All Fuels)
- Furnaces (All Fuels)
- Water Heaters
- Ceiling Fans
- Programmable Thermostats
- Ventilating Fans
- Windows/Doors
- Air Sealing and Insulation
- Other Whole House Energy Improvements



Visit [keystonehelp.com](http://keystonehelp.com) for information on financing for GEOTHERMAL, SOLAR and LARGER ENERGY EFFICIENCY PROJECTS

## Pennsylvania's Special Financing

### ENERGY EFFICIENCY



### Home Improvements



- Heating & Cooling Systems
- Air Sealing & Insulation
- Windows & Doors
- Home Performance with ENERGY STAR "Whole House"



powered by AFCFIRST



## What is True Fixed Rate™ Financing?

Many financing programs are promotional or “teaser” interest rates for an introductory time which then revert to a very high rate if the loan balance is not paid off during the promotional period. These “credit card” types of financing also do not necessarily guarantee a fixed rate or payment for the loan term. **Keystone HELP® and EnergyLoan® are simple interest, fixed rate loans with longer terms available than typical bank financing.** The monthly payment and interest rate can never change. And since there is no penalty for pre-payment, you may pay it off or make additional principal payments at any time.



### Monthly Payment Examples

	36 Months	60 Months	120 Months
\$1,000	\$32	\$21	<b>\$13</b>
\$2,000	\$65	\$42	<b>\$26</b>
\$3,000	\$97	\$64	<b>\$40</b>
\$4,000	\$129	\$85	<b>\$53</b>
\$5,000	\$161	\$106	<b>\$66</b>
\$7,500	\$242	\$159	<b>\$99</b>
\$10,000	\$323	\$212	<b>\$132</b>
\$12,500	\$404	\$266	<b>\$165</b>
\$15,000	\$484	\$319	<b>\$198</b>

Subject to credit approval by AFC First Financial Corporation, Allentown, PA. Keystone HELP loans are made directly to the consumer by AFC First. EnergyLoans are made by Citizens State Bank on behalf of AFC First. Monthly payment examples based on 8.99% APR for Keystone HELP loans. Other rates and terms may be available.

AFC First, founded in 1947, and based in Allentown PA, is a national leader in energy efficiency financing and programs. It is one of three Fannie Mae Energy Lenders in the U.S. and the nation's first private Home Performance with ENERGY STAR sponsor. The EnergyLoan® and True Fixed Rate names and logos are registered trademarks of AFC First.



Unsecured Keystone HELP® Energy Efficiency Loans				EnergyLoan®			
WHOLE HOUSE HOME PERFORMANCE with ENERGY STAR		SINGLE MEASURE ENERGY STAR		SINGLE MEASURE ADVANCED PERFORMANCE		For non-Keystone HELP qualifying improvements	
Improvements must be ENERGY STAR qualified and part of a comprehensive project of blower door directed AIR SEALING, INSULATION and other energy saving measures as recommended by a Certified Contractor (BPI) and meet program qualifications. See <a href="http://keystonehelp.com">keystonehelp.com</a> . Maximum Loan \$15,000		Must meet ENERGY STAR standards or minimum program standards. See <a href="http://keystonehelp.com">keystonehelp.com</a> .		Must exceed ENERGY STAR standards and meet ADVANCED PERFORMANCE standards. See <a href="http://keystonehelp.com">keystonehelp.com</a> .		All makes and models regardless of rating	
• Heating & Cooling Systems • Water Heaters • Windows & Doors • Air Sealing • Insulation - Floor & Ceiling • Cool Roofs • Other Work Recommended by a Certified (BPI) Contractor		• Heating & Cooling Systems • Water Heaters • Windows & Doors • Air Sealing • Insulation - Floor & Ceiling • All Work Related to Installation of Qualifying Improvements		• Heating & Cooling Systems • Water Heaters • Air Sealing • Insulation - Floor, Ceiling & Wall • All Related Work to Installation of Qualifying Improvements		• Heating & Cooling • Water Heaters • Windows & Doors • Air Sealing • Insulation – All Types • Lighting & Controls • Electrical & Plumbing • Most Other Energy Improvements • All Related Work	
2.99% Statewide PA		0.99% Bucks, Chester, Delaware, Montgomery and Philadelphia counties through EnergyWorks (windows & cooling not eligible for lower rate)		8.99% Statewide PA		5.99% Bucks, Chester, Delaware, Montgomery and Philadelphia counties through EnergyWorks (windows & cooling not eligible for lower rate)	
7.99% Statewide PA		4.99% Bucks, Chester, Delaware, Montgomery and Philadelphia counties through EnergyWorks (cooling not eligible for lower rate)		14.99% National, Statewide PA			
Currently \$150,000 Maximum Household Income <i>Increase to \$250,000 pending</i>		Currently \$150,000 Maximum Household Income <i>Increase to \$250,000 pending</i>		Currently \$150,000 Maximum Household Income <i>Increase to \$250,000 pending</i>		No Restriction on Maximum Household Income	

Principally supported by the Pennsylvania Treasury Department, Department of Environmental Protection, and the Pennsylvania Housing Finance Agency, the Keystone HELP® program helps make affordable energy efficiency available to all eligible Pennsylvanians. Keystone HELP® is administered by AFC First Financial Corporation, a Pennsylvania energy efficiency lender. Additional support provided in Southeastern Pennsylvania by EnergyWorks, a Better Buildings program.

EnergyLoans for non-qualifying Keystone HELP improvements and amounts greater than \$15,000 are provided independently by AFC First Financial Corporation.



(888) 232-3477  
keystonehelp.com

# AFC First Administers Special Lower Rate State and Local Programs In Addition to the National EnergyLoan®

## National EnergyLoan® Program from AFC First

AVAILABLE IN	PROGRAM NAME	LOAN AMOUNT	INTEREST RATE	CONTRACTOR COST	ELIGIBLE EQUIPMENT	ELIGIBLE BORROWERS	TERM	COLLATERAL
ALL 50 STATES	EnergyLoan®	\$1,000 to \$25,000	14.99% Standard Program 6 & 12 Month Same as Cash Available	None for Standard Program	All makes and model of Heating, Cooling, Insulation, Windows, Solar and most other energy related improvements	Qualifying homeowners who own and occupy a 1 to 2 unit residence or vacation home.	Up to 10 Years	None required, Unsecured

## State and Regional Special Energy Loan Programs Administered by AFC First

AVAILABLE IN	PROGRAM NAME	LOAN AMOUNT	INTEREST RATE	CONTRACTOR COST	ELIGIBLE EQUIPMENT	ELIGIBLE BORROWERS	TERM	COLLATERAL
PENNSYLVANIA	Keystone HELP Energy Efficiency- Unsecured	\$1,000 to \$15,000	0.99% to 5.99% in Southeast PA 2.99% to 8.99% Statewide	None	ENERGY STAR® and Advanced Performance, Heating, Cooling, Windows, Insulation and "Whole House" Energy Improvements	Qualifying homeowners who own and occupy a 1 to 2 unit residence. Maximum income limits may apply.	3, 5, and 10 Year	None required, Unsecured
	Keystone HELP Energy Efficiency- Secured	\$5,000 to \$35,000	3.875% to 8.875%	None	"Whole House" Energy Improvements; Larger Energy Projects, Sunrooms and Solar	Qualifying homeowners who own and occupy a 1 to 2 unit residence. Maximum income limits may apply.	10, 15 and 20 Year	Up to 120% of Home's Value 1 <sup>st</sup> , 2 <sup>nd</sup> 3 <sup>rd</sup> Lien
	Keystone HELP Geothermal	\$1,000 to \$15,000, plus additional "Tax Credit Loan" to \$10,000	4.99% Plus no payments for 12 months on "Tax Credit Loan"	None	Qualifying Closed Loop Geothermal Heat Pump Systems	Qualifying homeowners who own and occupy a 1 to 2 unit residence.	3, 5 and 10 Year	None required, Unsecured
DELAWARE	Energize Delaware	\$1,000 to \$20,000	3.99% and 6.99%	None	Qualifying Heating, Cooling, Windows, Insulation and "Whole House" Energy Improvements	Qualifying homeowners who own and occupy a 1 unit residence.	3, 5 and 10 Year	None required, Unsecured
MAINE	Efficiency Maine PACE	\$6,500 to \$15,000	4.99%	None	Qualifying Heating, Cooling, Windows, Insulation, Solar and "Whole House" Energy Improvements with energy audit and 20% savings	1-4 unit properties in PACE qualified townships	5, 10, and 15 Year	Up to 100% of Home's Value+, Junior Lien
ILLINOIS	Illinois Energy Efficiency Loan Program (On Bill Finance)	\$500 to \$20,000	4.99%	None	Currently available to Peoples Gas and North Shore Gas customers for 92% AFUE Gas Furnaces and for ENERGY STAR® Refrigerators for ComEd customers. Additional improvements & utility programs TBA	Qualifying homeowners who own a residential single family, duplex, or other residential building with 4 or less units, or a condominium at which they receive the applicable utility service	3, 5 and 10 Year	None required, Unsecured
KENTUCKY	KY Home Performance Loan & Rebate Program	\$2,500 to \$20,000	3.99% for first 100 homes	None	ENERGY STAR®, Heating, Cooling, Windows, Insulation and "Whole House" Energy Improvements with energy audit and 20% savings	Qualifying homeowners who own and occupy a 1 unit residence	3, 5 and 10 Year	None required, Unsecured
GREATER CINCINNATI	GC-HELP Loan	\$2,500 to \$20,000	3.99%* in KY 6.99% in OH *for first 100 homes as part of KHP	None	ENERGY STAR®, Heating, Cooling, Windows, Insulation and "Whole House" Energy Improvements with energy audit and 20% savings	Qualifying homeowners who own and occupy a 1 unit residence	3, 5 and 10 Year	None required, Unsecured

# Simple Consumer & Contractor-Friendly Loan Process

Customer contacts an AFC First Approved EnergyLoan® Contractor to get an estimate for qualifying improvements.

- **Customer Gets Estimate**

For fastest approval, customer applies online at the application integrated on the contractor's website, at [energyloan.net](http://energyloan.net) or by phone at (888) 232-3477.

- **Easy Customer Application**

We'll have a quick decision on the application, (typically within an hour), advise the contractor and consumer and answer any questions. We take care of the details!

- **Fast Approval**

Contractor sends us a copy of their estimate/proposal and Contractor Submission Sheet identifying final price and qualifying improvements.

- **Contractor Provides Job Info**

Customer signs the simple one page loan note we will provide to them (or to the contractor for delivery to the customer).

- **Customer Signs Note**

We pay the Contractor same day upon receipt of Completion Certificate and verbal customer confirmation that the work has been done to their satisfaction.

- **We Pay the Contractor**

(888) 232 -3477 [energyloan.net](http://energyloan.net) [afcfirst.com](http://afcfirst.com)



# What's Working Now?

- Simple, state and utility supported monthly payment **contractor driven** programs have been the easiest to implement and are having the greatest success (NYSERDA, PA's Keystone HELP, CT Solar Leasing)
- “On-Bill” utility programs are a hot topic, but limited track record. Concerns: potentially increased delinquency through utility loan servicing, who takes the credit risk? etc. The new Illinois OBF model is a good prototype.
- Real estate tax model (PACE), while a good concept, is highly localized and can only address a small part of the market (“Proactive” consumer only)

# What are the Market Hurdles?

- **Effective, uniform and simple program designs – complicated programs are dying on the vine**
- **Access to affordable and sustainable secondary market capital – current disconnect on pricing**
- **Sustainable of needed programmatic support fund (credit enhancement, loss reserve) post ARRA. Are utilities the answer?**

# Keep it Simple –Don't Get Caught in Red Tape of Complex and Over-thought Program Design



- **Energy Efficiency lending programs are competing against credit cards.**
- **Most Consumers (and Contractors) will follow the path of least resistance even if it is more costly**
- **Accomplish program goal (helping consumers install energy efficiency improvements) without overburdening contractors or consumers with complexity**