Buncombe County Energy Loan Fund

Financing Process

- Unsecured personal loans for prequalified energy measures or improvements recommended by a Contractor and the loan program administrator.
- Ideally: business, nonprofits multifamily and public sector properties would be eligible too.
- Financing options available through a partner commercial lender or lenders
- Pre-approved contractors for all eligible upgrades
- “Non-traditional” longer loan terms more closely tied to the specific upgrade and its expected useful life
- “Credit Enahncement”

Financing Process

- Most major home upgrades are made on an “emergency” basis
- Contractors have access to financing but most is high interest, short term, low tech, and borderline predatory.
- Often emergency financing is completed for small amounts in the $5-15k range
- Climate conscious individuals at all income levels are still committing to fossil fuel infrastructure

Sample Improvements

Residential

- Rooftop Solar
- HVAC/Heat Pump Upgrades
- Home Electrical Panel Upgrades
- EV Charging
- Hot Water Heating

Commercial

- Rooftop Solar
- HVAC upgrades or heat pump conversion
- Level 2 EV Charging
- Energy Efficiency
- Battery Storage
- Hot Water

How it Could Work

1. Find your pre-approved contractor through the Loan Fund and receive estimates on qualifying improvements

2. Apply for financing

3. Work with lender and kickoff work

Portfolio Approach to lending PLUS Leverage

- An LLR structure works best when the target market is a portfolio with a large number of small transactions. Typical residential energy efficiency loans, for example, are in the range of $5k to $15k, and a typical program will aim to fund hundreds, and possibly thousands, of loans. Thus, default of a single loan or several loans will represent a small portion of the total portfolio.

- Typical leverage ratio is 20:1. Meaning with $1 million available in funds from the County for the LLR, a 5% loss reserve could produce $20 million in capital to lend.

Loan Loss Reserve or other Credit Enhancement Example

SAMPLE CALCULATION

The table below presents a sample calculation for an LLR program budget and risk-sharing formula.

Loan Loss Reserve Fund Program, Sample Budget and Risk-Sharing Formula Calculations		
1	LLR grant budget	$1 million
2	Grant funds for program development and operations	$100,000
3	Net funds for LLR escrow account	$900,000
4	"First losses" as % of total original principal	5%
5	Share of first losses borne by LLR	90%
6	Share of first losses borne by financial institution partner	10%
7	Total lending that can be supported with this LLR risk-sharing formula	$20 million
8	Average portion of energy efficiency projects paid by loans (homeowners/utilities/others cover the remaining 20%)	80%
9	Total energy efficiency project investment that can be supported	$25 million
10	Leverage ratio #1 (LLR funds to total lending product size supported)	22.22
11	Leverage ratio #2 (LLR funds to total energy efficiency project investment supported)	27.78

What is a Loan Loss Reserve?

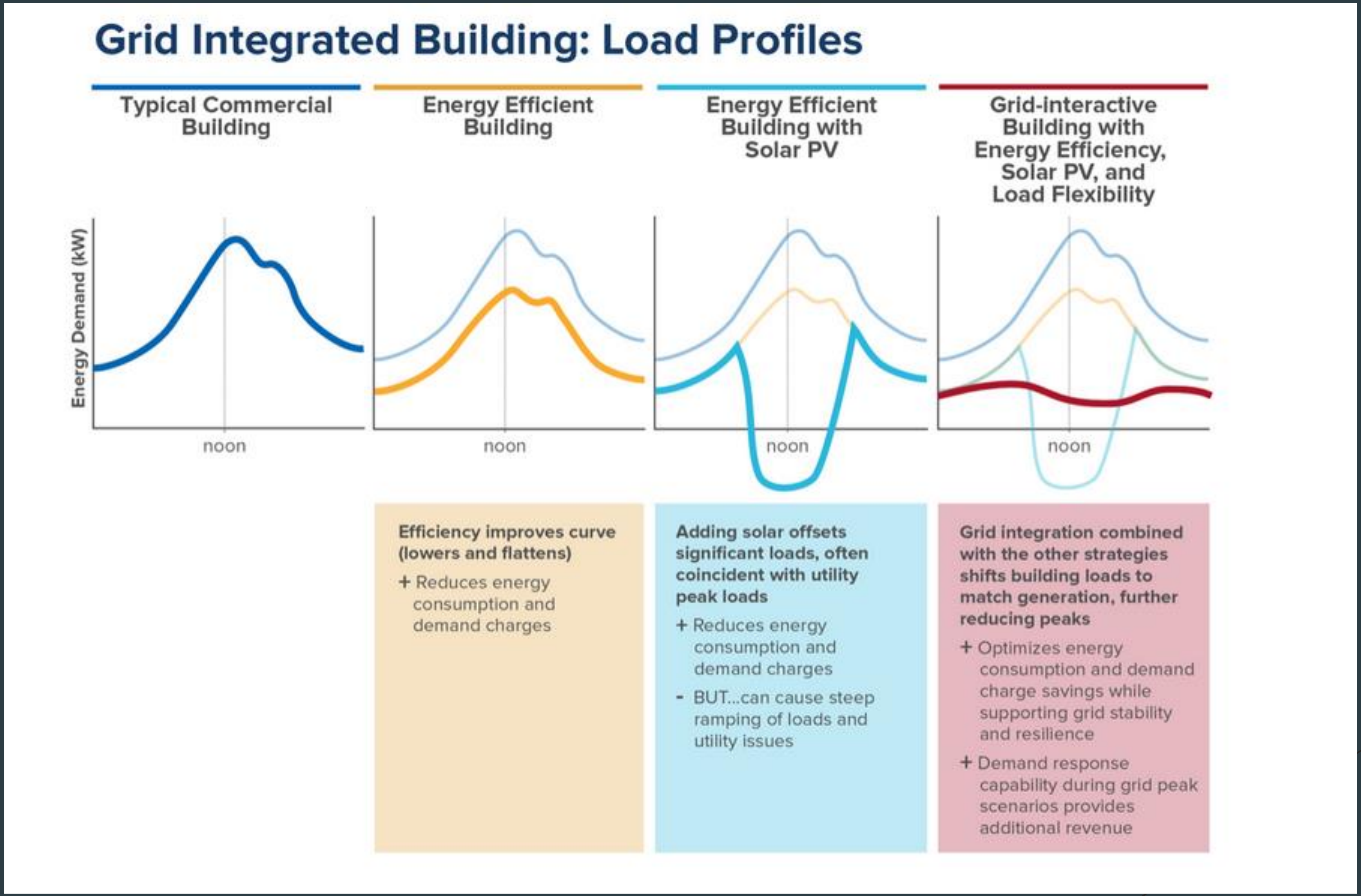
- A structure like a loan loss reserves or loan guarantees, help de-risk investments for private investors, enabling more capital to flow to clean energy projects. If a private investor is hesitant to enter a new market, or is only willing to offer unfeasibly high interest rates, a credit enhancement can provide security to a lender and improve deal economics for the borrower.

- And because these tools are only used to support mature, low-risk technologies, the credit enhancements allow investors to become familiar with viable markets while minimizing public sector expenditure.

Questions

- How large of a program is necessary and what is necessary to leverage capital, and reduce interest rates with minimum County investment?
- Possible Program administrator?
- Credit Score, Min-Max
- Level of County involvement

Virtual Power Plants and Demand, Response Enabled Appliances, and the Loan Programs Office



Potential Corporate Partners

WELLS FARGO

Bank of America

BLOC POWER

DUKE ENERGY

LPO Loan Programs Office

Lowe's

Coalition for Green Capital