BETTER BUILDINGS
U.S. DEPARTMENT OF ENERGY

Better Buildings Neighborhood Program
Financing Peer Exchange Call: *"What is the Right Rate?"*

Call Slides and Discussion Summary

December 1, 2011

Agenda

- Call Logistics and Attendance
  - What interest rates are available through your program? What has your program done, if anything, to lower rates?
- Featured Participants
  - Aaron Berg, Clean Energy Works Oregon
  - Jill Maness, Austin Energy
- Grant Project Discussion
- Potential Future Call Topics

Participating Programs

- Austin, TX
- Clean Energy Works Oregon
- Maryland
- Jacksonville, FL
- Kansas City, Mo
- Michigan Saves
- Milwaukee, WI
- RePower Kitsap
- San Antonio, TX
- San Diego, CA
- Seattle, WA

Grant Project Discussion

- What have programs learned about the “right” rate to motivate building upgrades? What is too high? Too low?
- What kinds of investments are programs making to buy down rates? Is it cost-effective?
- How do low interest rates compare to other incentives?
- Does experience suggest that customers taking advantage of low rates would do the work even if low rates weren’t available?
- What advice do experienced programs have for those still figuring it out?

Discussion Themes

- Interest rate "Sweet Spot" is in the 3-6% range
  - Rates at 6% and below are appealing to consumers
  - There is not much difference in consumer uptake between 3% and 6% rates; given the typically small loan amounts, the actual out-of-pocket monthly payment between 3% and 6% is not very large
  - Lower rates can be hard to sell in secondary markets
- 0% may be an effective short-term marketing strategy, but it is expensive to sustain
  - 0% is an effective headline to get people's attention and get them in the door. (Kansas City, for example, offers 0% for one year.)
  - However, it requires a significant subsidy and the benefits may not be worth the cost
  - 0% does not necessarily generate long-term interest in the program

Discussion Themes

- Rebates and "cash in hand" seem to be more powerful incentives than low rates
  - When offered a choice between rebates and loan buy-downs in Austin, the clear preference was for rebates:
    - Less than 10% of people who did deep retrofits took advantage of loans; 90% took rebates
  - Many consumers already have their own source of financing (e.g., lines of credit, etc.)
  - The size of the loan payment per month is as much or more of a motivator than actual rates.
    - The difference in the loan term has a greater impact on what people pay than rate differences
    - One participant said that interest rates draw people in, but monthly payments "close the sale."

Discussion Themes

- Focusing on value may be a better long-term marketing strategy than focusing on financing
  - Lead with the value proposition of improved air quality, healthier homes, and comfort
  - Financing is the means to the end; if people want the end, they are more compelled to figure out how to pay for it

Discussion Themes

- Financing may be a determining factor for the depth of the project scope and timing
  - When 0% AND rebates were offered together in Austin, participation increased from 10 loans/month to 180 loans/mo
  - Austin found that attractive financing helped move people to make the deep dive decision, and to make it now rather than 1-3 years down the road
- Contractors can be a conduit for information on options
  - FAQ can help contractors help customers navigate financing options

Potential Future Call Topics

- Establishing an Energy Efficiency Enterprise Fund
- On-bill Payment Strategies and Lessons
- Overcoming and Adapting to Financial Strategy Challenges
- Strategies and Best Practices for Loan-Loss Reserves
- Implementing Successful Revolving Loan Funds
- Loan Programs for Low and Moderate Income Households
- Financial Product Messaging and Communications
- Options for Unsecured Debt
- Blended Financing
- Revenue Modeling Tools
- Revenue Streams from Financial Institutions