

Low-Income Solar Access

LIHEAP, WAP, and R-PACE

Mark Wolfe

Executive Director

**National Energy Assistance Directors' Association (NEADA)
Energy Programs Consortium (EPC)**

June 2017



Low-Income Home Energy Assistance Program (LIHEAP)



What is LIHEAP?

LIHEAP provides assistance with home energy bills and weatherization upgrades to low-income households.

Can LIHEAP Funds be Used to Support Solar?

Yes - up to a point:

1. As part of the voluntary weatherization set-aside
2. Approximately \$300 million annually is set aside for weatherization by LIHEAP
3. The value of the Renewable Energy Tax Credit would appear to not only apply to LIHEAP=Funded portion of the project

Weatherization Assistance Program (WAP)



What is WAP?

WAP provides energy efficiency improvements to low-income households to help reduce energy costs. Through WAP, households save on average \$283 or more per year.

Can WAP Funds be Used to Support Solar?

- DOE allows up to a maximum of \$3,598 to go towards a low-income solar project
- Can be combined with LIHEAP funds
- Achieve a savings-to-investment ratio of >1

EPC R-PACE Report



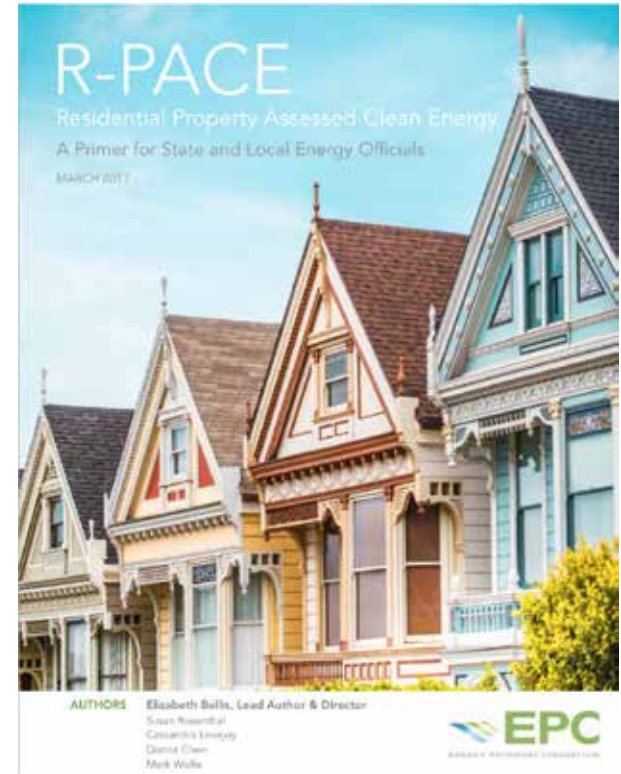
Latest Update - March 2017: <http://www.energyprograms.org/programs/pace/>

Provides state and local government officials a comprehensive resource on residential PACE, including:

- History
- Legal and financing structures
- How the program works
- How local governments can set up their own programs
- Legal challenges thus far
- Consumer protection concerns

PACE program statistics such as:

- FICO scores of borrowers
- Interest rates
- Prepayment fees
- Borrowing limits
- Amount of assessments issued by administrator
- Types of allowable improvements
- Securitizations and volume
- Administrators



What is R-PACE?



Residential Property Assessed Clean Energy is:

- **A financing mechanism** for energy efficiency, renewable energy, resilience, and water saving improvements
- **Repaid through property taxes:** A PACE assessment is attached to the property's tax bill secured by the same type of lien against the property as tax bills
- **Pari passu with other tax liens**, and therefore, senior to any mortgage liens on the property unless otherwise provided by statute or agreement
- **Transferable upon sale of the property** because the financing is tied to the property rather than the property owner

Apply for financing

Approved property
owners install
eligible measures

Property owners
repay through
property taxes

R-PACE Growth



Number of Projects Financed: **148,000**

Amount Financed (Cumulative): **\$3.7 billion**

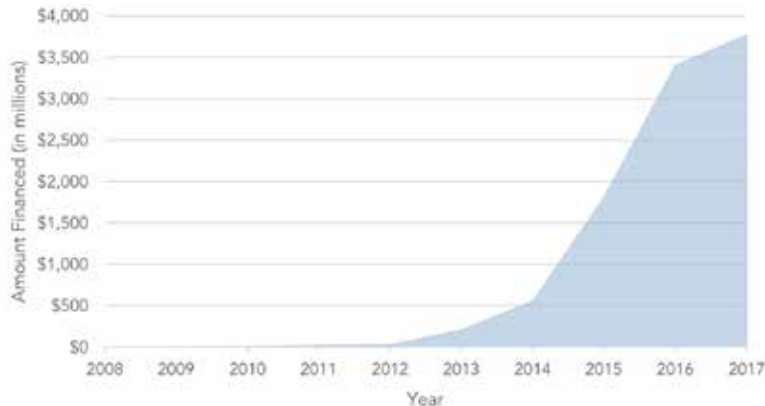
Amount Financed (in last 2 years): **\$3.3 billion**

Number of States with Enabling Legislation: **25 & DC**

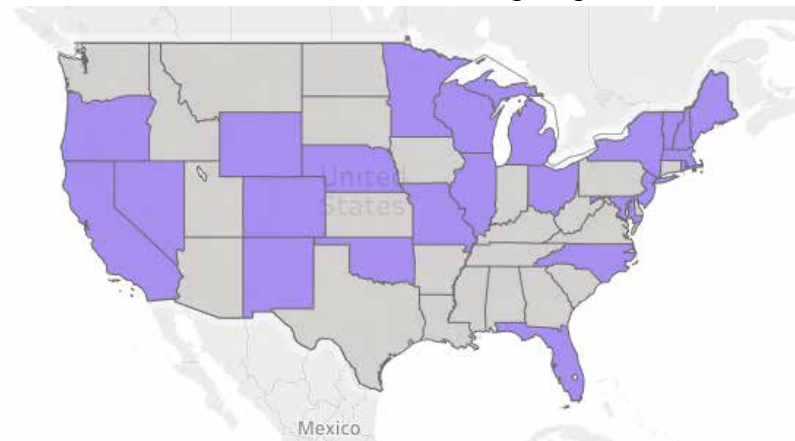
Number of States with R-PACE Assessments: **7**

Number of States with Active R-PACE Programs: **5**

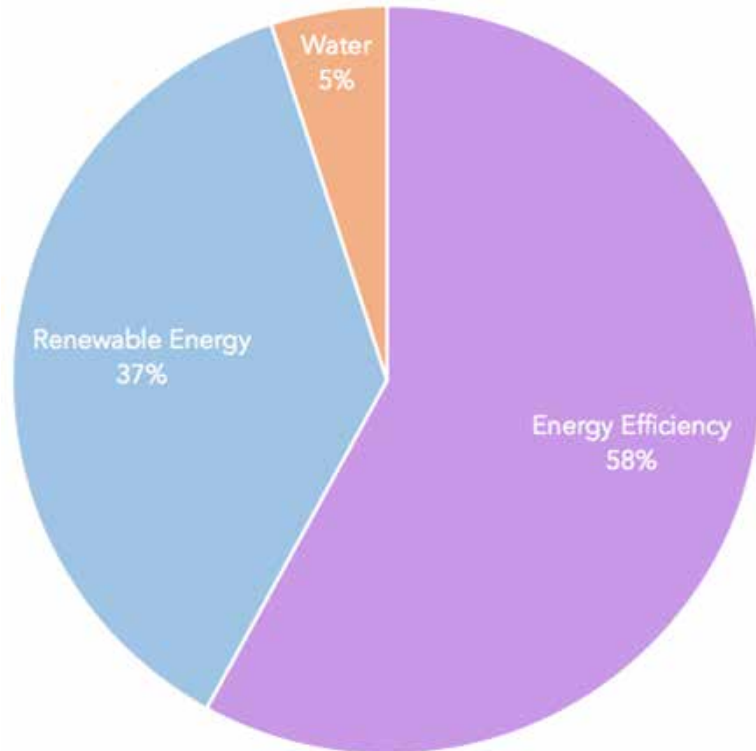
Growth in R-PACE Financing



States with PACE-enabling Legislation



Types of Improvements Financed



ENERGY EFFICIENCY 58%

HVAC

Doors & Windows

Air Sealing

Lighting

Insulation

Cool Roofs

RENEWABLE ENERGY 37%

Solar Panels

Battery Backup

Systems

Wind

Solar Thermal

Microturbines

Solar Inverters

Electric Vehicle

Charging

WATER 5%

Efficient Faucets

Stations

Toilets,

Showerheads

Water Heaters

Pool

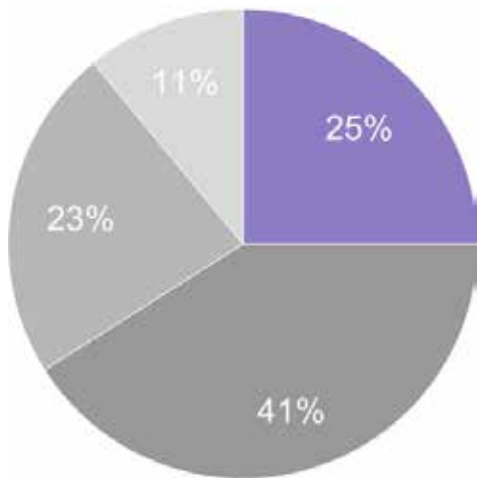
Equipment

PACE & the LMI Market



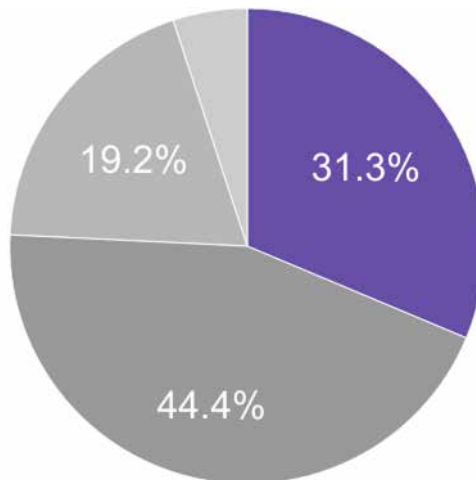
Percentage of PACE Customers with Incomes Less Than \$50K:

RENEW FINANCIAL



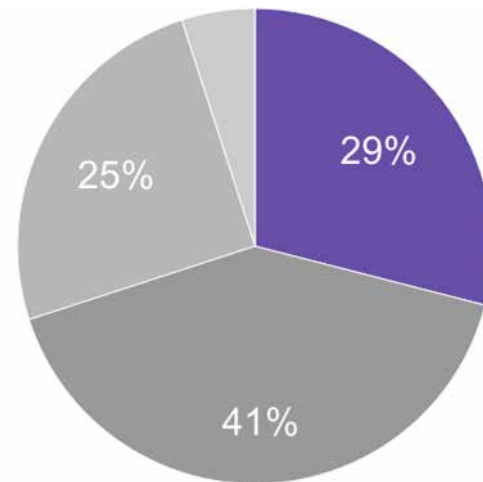
Average Loan Size to LMI Customers: **\$24,165**

YGRENE



Average Loan Size to LMI Customers: **\$22,687**

RENOVATE AMERICA



Average Loan Size to LMI Customers: **\$21,470**

R-PACE Underwriting



Bankruptcy No recent bankruptcies for 2-7 years (varies by program)

Equity Some programs require a certain minimum homeowner equity in the home, usually 10%

Loan-to-value Most programs provide that the PACE assessment cannot exceed 10-20% of the value of the property

Most programs provide that the PACE financing and mortgage-related debt cannot exceed 100%

Combined loan-to-value Does not assess income or ability-to-repay, with the exception of E3 in CA, which assesses debt-to-income (DTI) ratios in underwriting.

Income Renew Financial is also now considering adding ability-to-repay



R-PACE Terms

Vary by program and state, but typical terms include:

Min. Loan Amount	\$2,500-\$5,000
Max. Loan Amount	15% of the first \$700,000 in property value and 10% of any remaining property value over \$700,000
Avg. Loan Amount	\$20,000
Interest Rates	6-9%. APR may be significantly higher due to fees
Loan Tenor	5-30 years. Cannot exceed expected useful life of improvements.
Prepayment	Most PACE programs allow for prepayment without fees or penalties (exception: Ygrene)
Fees	Recording fee, an administrative fee, an origination fee, a title search fee, and a bond reserve deposit



R-PACE vs. Other Financing Options

Home Equity Loans

Interest rates are typically variable (PACE rates are fixed), but lower by 1-4%.

Have stricter requirements:

HIGH EQUITY most lenders want your home equity to be >20% after your loan has closed

GOOD CREDIT generally look for minimum FICO scores of 660-680; 700+ is ideal

LOW DTI RATIO Most want to see a debt-to-income ratio below 45%

Credit Cards

Interest rates are around 10-13% higher but no lien on the home.

Contractor Financing

Home improvement contractors offer financing through groups like GreenSky and Synchrony with rates that can be lower or significantly higher than PACE depending on creditworthiness.

Solar Loans & Leases

SolarCity rates begin at 2.99%.

Consumer Protections



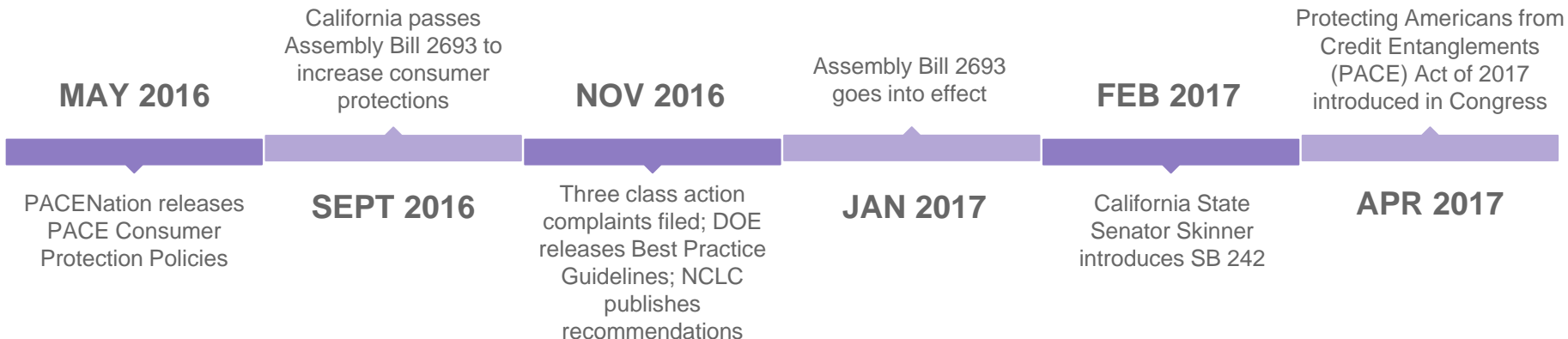
Existing consumer protection policies common to most active R-PACE programs include:

- Full disclosure of estimated assessment amount, annual installments, and fees;
- Disclosure of the impact a residential PACE lien can have on refinancing and sale;
- Verification that contractors have the necessary licenses and permits;
- Third party verification of workmanship;
- A three-day right to cancel; and
- A dispute resolution process.

Disclosures / Protections that exist for mortgages but do not currently apply to PACE

- Truth in Lending Act's (TILA) disclosure requirements, ability-to-repay rule & right to rescind
- Federal Trade Commission's (FTC) Holder Rule
- Real Estate Settlement Procedures Act (RESPA)
- TILA-RESPA Integrated Disclosure rule (TRID)

Consumer Protection Concerns: Timeline



Remaining Concerns Include:

Ability to Repay: R-PACE does not take income into account in underwriting

Contractor Abuses: Contractors have incentive to up-sell

Quality Control: Are PACE improvements achieving the advertised energy savings?

Disclosure of Alternative Options: Eligible families should be explicitly informed about available grant resources prior to applying for PACE financing

EPC Recommendations



1. [Create a national oversight body or committee](#) to act as a third-party monitor and ensure adequate consumer protections and more coordinated governmental oversight as PACE expands its reach into low and moderate income homeowner communities.

1. State and local governments should consider requiring PACE administrators to [incorporate three suggested consumer protections that EPC consider to be crucial](#) to ensure that programs are best serving their residents.
 - a. Require assessment of ability to repay.
 - b. Screen & Refer.
 - c. Limit incentives for aggressive door-to-door sales and incentives to up-sell.

PosiGen in Connecticut



Solar for All

- **Third-party Ownership Structure:** PV installation with a 20-year lease for \$55-\$99 a month with no deposit, no credit check, and no background check
- **Low-income Appeal:** 1,000 solar leases sold in Connecticut, $\frac{2}{3}$ of which are LMI households
- **Integrated Approach:** PosiGen works with state efficiency programs to provide customers with solar and energy efficiency improvements to maximize energy/cost savings
- **Public-Private Partnership:** PosiGen collaborates with the Connecticut Green Bank to attract LMI customers:
 - CT Green Bank provides subordinated debt into the lease fund
 - CT Green Bank provides a solar incentive with elevated rates to LMI customers

SASH in California



Single Family Affordable Solar Housing (SASH)

- **Direct Incentive Structure:** Rebate of \$3 per watt
- **Low-income:** Designed for families with household income of less than 80% of AMI.
 - More than 6,000 PV systems have been installed on low-income single-family homes; 300 more projects pending
 - 18.8 MW of solar deployment
 - SASH has also helped enroll 5,826 low-income homeowners Energy Savings Assistance programs operated by utilities
- **Utilities & Stakeholders:** The SASH program is a partnership between the California Public Utilities Commission (CPUC) and non-profit GRID Alternatives.

Questions? Contact us



Mark Wolfe

Counsel & Director of Finance Programs

Email: mwolfe@energyprograms.org

ENERGY PROGRAMS CONSORTIUM

1350 Connecticut Avenue NW, Suite 1100

Washington, D.C. 20036

202.333.5915

68 Jay St., Suite 517

Brooklyn, NY 11201

718.596.5700