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INVESTING IN GEORGIA'S  
ENERGY, LAND & WATER RESOURCES



# *NASEO*

## *On-Bill Financing Programs*

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February 2, 2012

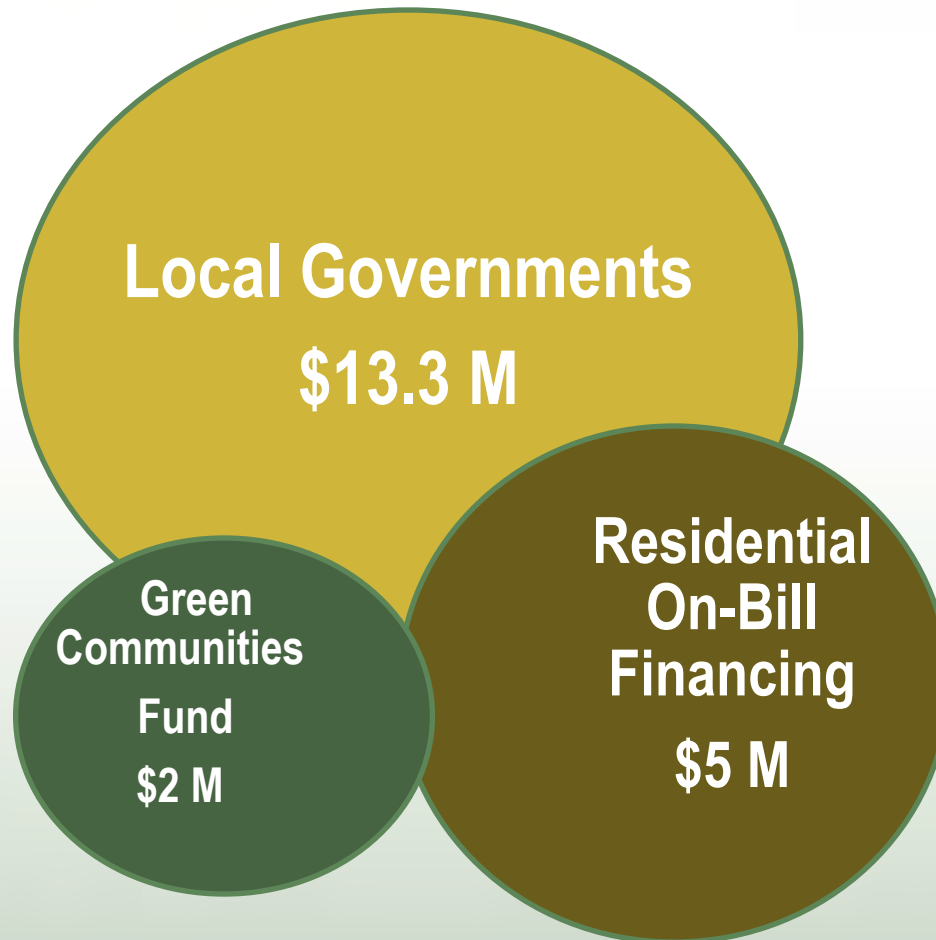
## On-Bill Financing Program Overview

- Program Design
- On-Bill Loan
- On-Bill Tariff
- Interest-Rate Buy-Down
- Program Results
- Challenges
- Benefits





# Georgia EECBG Market Titles





# Residential On-Bill Financing



The program is designed to improve **energy efficiency** in the state of Georgia by providing **low-cost** financing to **residential** homeowners for the **purchase and installation** of energy-efficient equipment and home envelope energy-efficiency improvements.

*Loan repayment is added to customer's monthly utility bill.*

## On-Bill Financing Options

### On-Bill Loan

- Loan stays with customer
- \$5,000 loan max

### Interest-Rate Buy-Down

- Loan stays with customer
- \$7,500 loan max
- \$750 buy-down max

### On-Bill Tariff

- Loan stays with the home
- \$5,000 loan max

## *Eligible for Funding:*

- Purchase and installation of **ENERGY STAR** appliances
  - Refrigerators, dishwashers, freezers, washing machines, etc.
- Purchase and installation of **ENERGY STAR** qualified HVAC
- Purchase and installation of home weatherization products
  - Insulation, duct sealing, air sealing, etc.
- Purchase and installation of renewable energy products
  - Solar hot-water heater



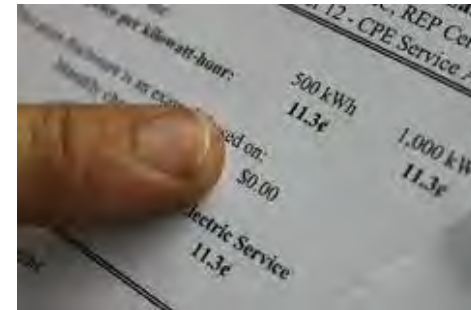
## GEFA Awarded \$5 Million – Competitive

- ❑ Oglethorpe Power Corporation - \$3,600,000
- ❑ Electric Cities of Georgia - \$ 700,000
- ❑ Municipal Gas Authority of Georgia - \$700,000



## Planning Stage: 6-8 months

- ❑ Created program guidelines
- ❑ Application templates
- ❑ Created marketing tools for municipals
  - Bill stuffers, press releases
- ❑ Identify preferred contractors
- ❑ Created guidelines & procedures for submitting applications
  - Included quality and assurance procedures
- ❑ Secured third-party lenders





## OBF Process Flow: MGAG & ECG & Oglethorpe

Customer gets **quote/estimate** from contractor or retailer on approved list. EMC/Municipals maintain list of approved contractors

Customer **applies** to EMC/municipal or credit union for loan

Loan application is approved by EMC/municipal/credit union and sent to Utility for final **funding approval**

The **customer** is notified of approval and **hires** contractor or purchases from retailer

The EMC/Municipal physically **inspects** each location when installation is complete. A check is issued to **contractor/retailer**

### Five Step Application to Payment Process

## Municipal Gas Authority of Georgia

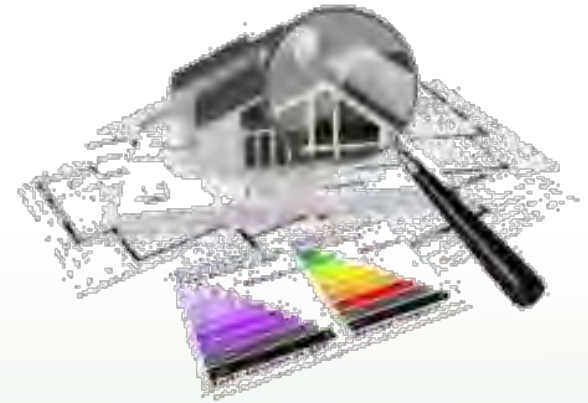
### Loan Terms

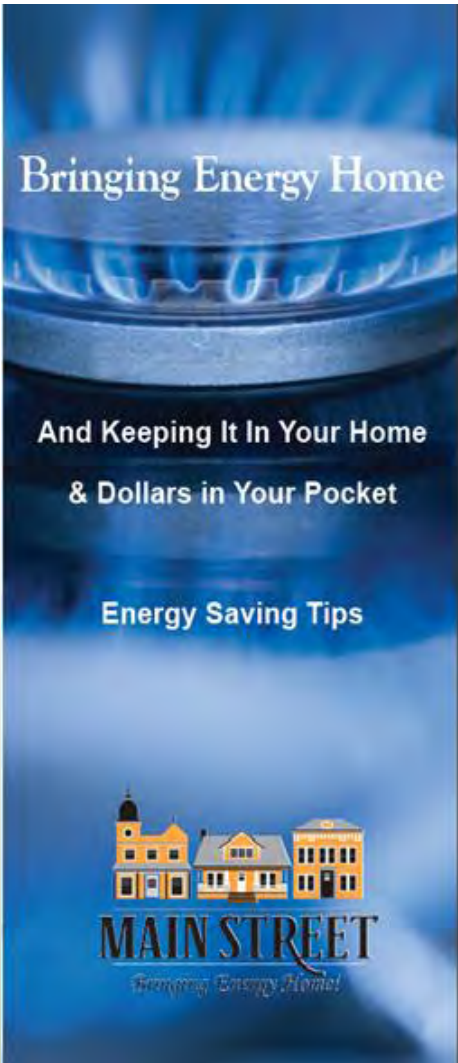
- \$5,000 max loan amount
- **Zero percent** Interest rate
- Maximum **five-year** loan term
- Grant funds are used as **capital** for loan program



## Municipal Gas Authority of Georgia

- ❑ Municipal requirements:
  - Establish credit evaluation procedures
  - Minimum 12 month good payment history with municipal
  - Agree to contractor procedures
  - MGAG reporting requirements, and agree to branding requirements
  
- ❑ Utilized the program to supplement already established campaigns, rebate programs, efficiency programs
  
- ❑ MGAG charged **admin fee** to create a loan loss reserve fund
  - Flat \$3.50 admin fee





## Nine Member Participants:

- Program live for 11 months
- Total number of loans – 244
- Average loan amount - \$3,116
- High efficiency gas furnace loans – 147
- Water heater loans – 97
- Contractor** involvement sold this program

*MGAG is expanding the program because of high municipal demand for the program*

- \$700,000 in grant funds allocated fully by November 2011
- MGAG board voted to supplement the program with \$250,000 additional funding
- MGAG is considering further expansion to a **multi-million dollar** program in 2012-2013





# On-Bill Tariff Program



# ECCG

electric cities of georgia

## Loan Terms

- \$5,000 max loan amount
- 36-60 months
- Zero percent interest
- Loan is tied to the **home**
- Secured by a **lien** on the property
- Payback is structured as a **facility fee on utility bill**



## Loan Terms

### Residential Customers

- 12 month history with utility
- Current with no more than one bill late over 12 months

### Maximum \$5,000 Loan

- Payable over 36 to 60 months
- No interest on loan
- Municipal may charge small admin fee/month
  - Creating a Loan Loss Reserve fund



## *What happens when a customer sells the home with an outstanding balance due??*

- Loan is secured by a **lien** on the home
- Account must be settled at closing
- Account may be transferred to new owner
  - As they are receiving the benefit of energy savings/new retrofits as new owner



Program performed very well – funds exhausted in 8 months  
GEFA increased award amount by **\$400,000**





## Two Offerings:

- ❑ On-Bill Loan Program
- ❑ Interest-Rate-Buy-Down Option
  - Held group and individual meetings with EMCs to promote and educate members on program benefits
  - Resulted in 23 of the 39 members participating in OBF
  - 95% of municipalities choose to utilize partnership with credit unions and offer the **interest-rate-buy-down** option
    - GEMC Federal Credit Union
    - Robins Federal Credit Union

## Loan Terms

- Credit unions** determine credit eligibility
  - **Minimum 660 FICO**
- Loan max at \$5,500
- 3 year loan term
- Max **grant** funds per home - \$750
  - **Zero percent interest rate**
  - **Loan repayments on utility bill**
- Credit unions take loan loss risk



# Interest-Rate-Buy-Down

Marketing and branding: Bill stuffer design used by many cooperatives

## START SAVING YOUR ENERGY DOLLARS

Join other smart homeowners in your community who are making energy-efficient improvements with the help of the HomePlus loan program.

home  plus



Finance all of your energy-efficiency home improvements with a HomePlus loan from your EMC.  
[www.governorsenergychallenge.org](http://www.governorsenergychallenge.org)



## 23 Electric Municipal Cooperatives across Georgia

- Closed 2,002 loans in 12 months
- Over \$10,000,000 in closed loans
- \$2,100,000 in grant funds used (\$1,100,000 remain)
- Average loan amount \$4,850

# Interest-Rate-Buy-Down

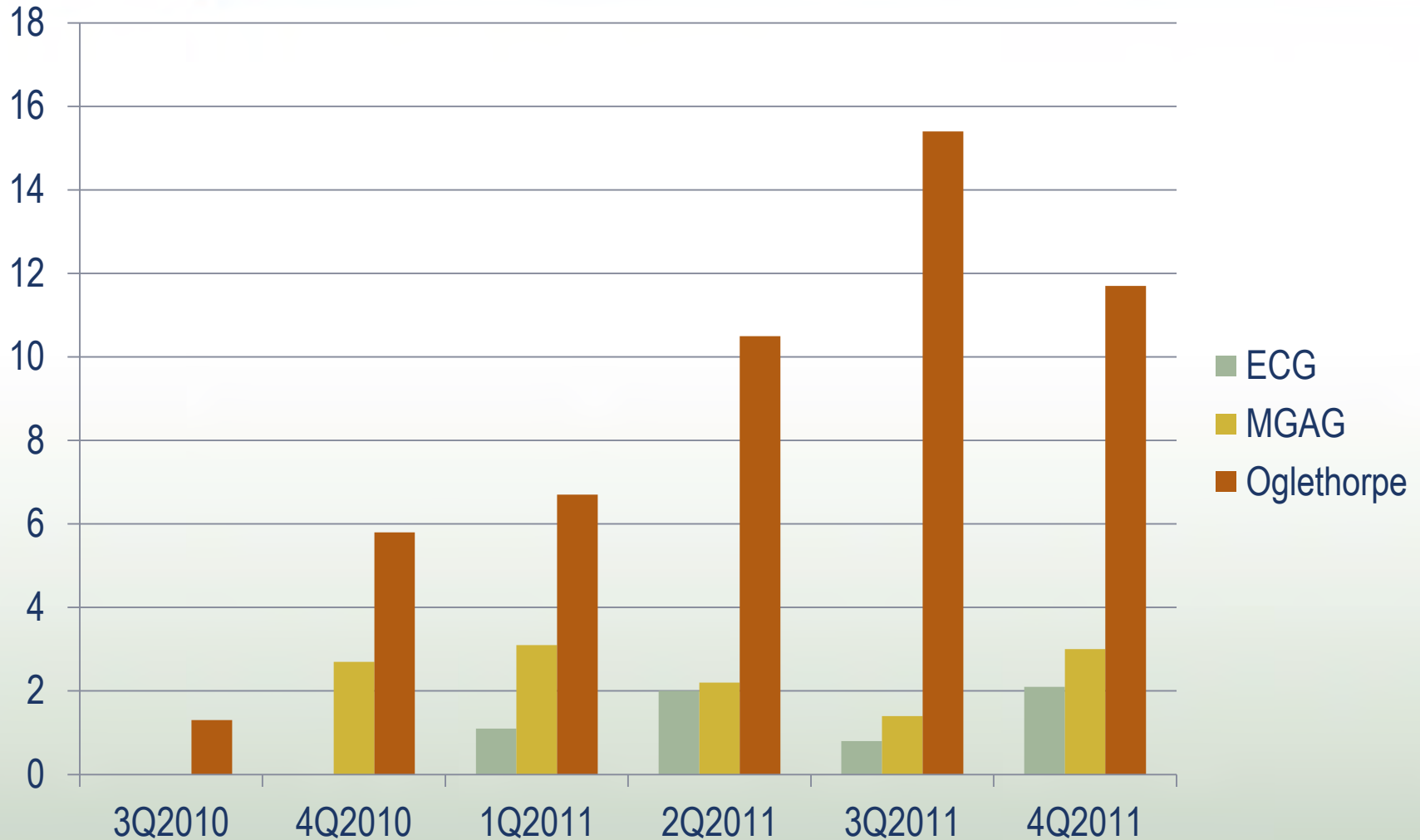
- ❑ Pro – Strong *leverage* of private funds - 1:5 ratio
- ❑ Pro – Created more jobs & more investment in short run
- ❑ Pro – Put risk on credit unions not EMC/municipals.



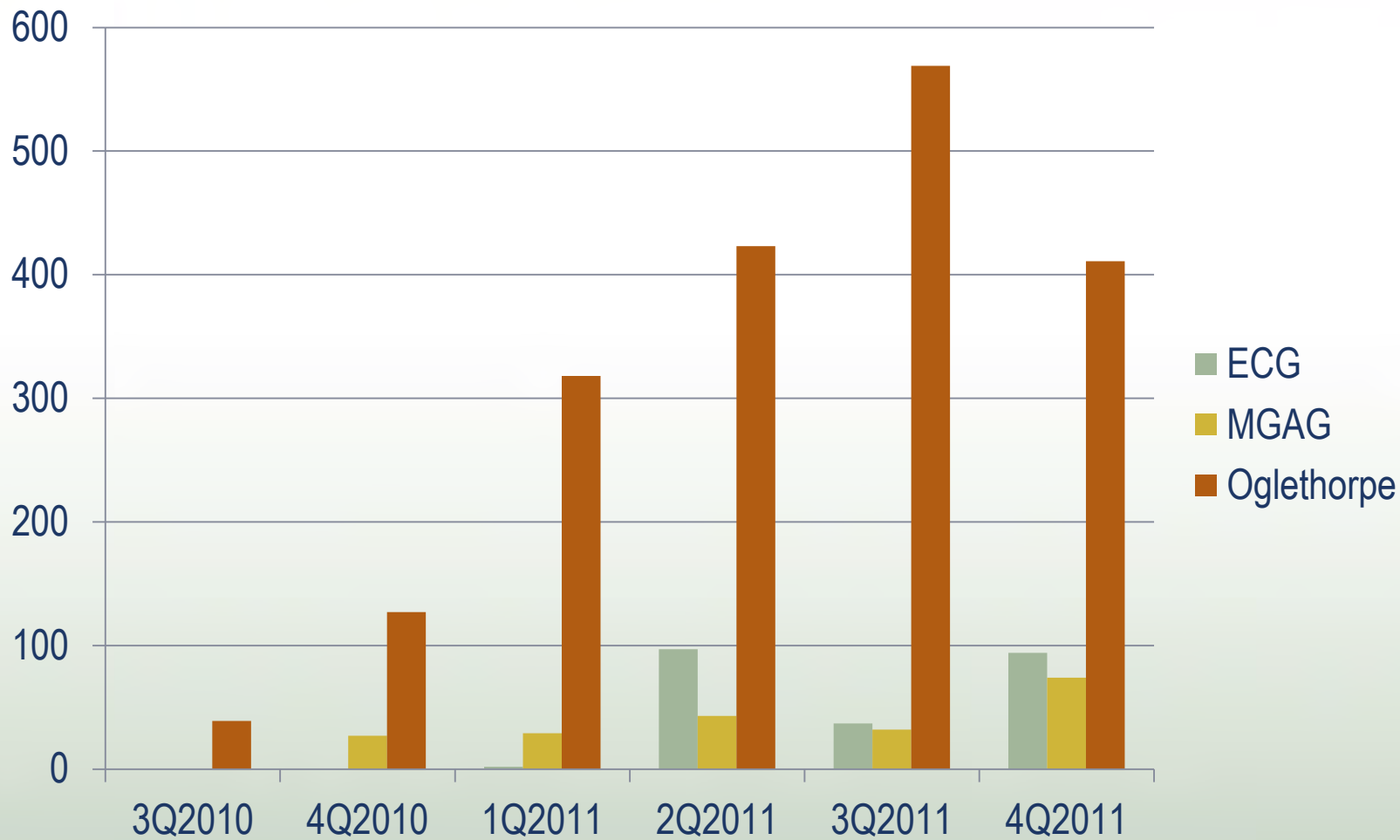
- ❑ Con – Slower spend rate
- ❑ Con – Program will end when grant funds deplete



# OBF Program - Number of Jobs

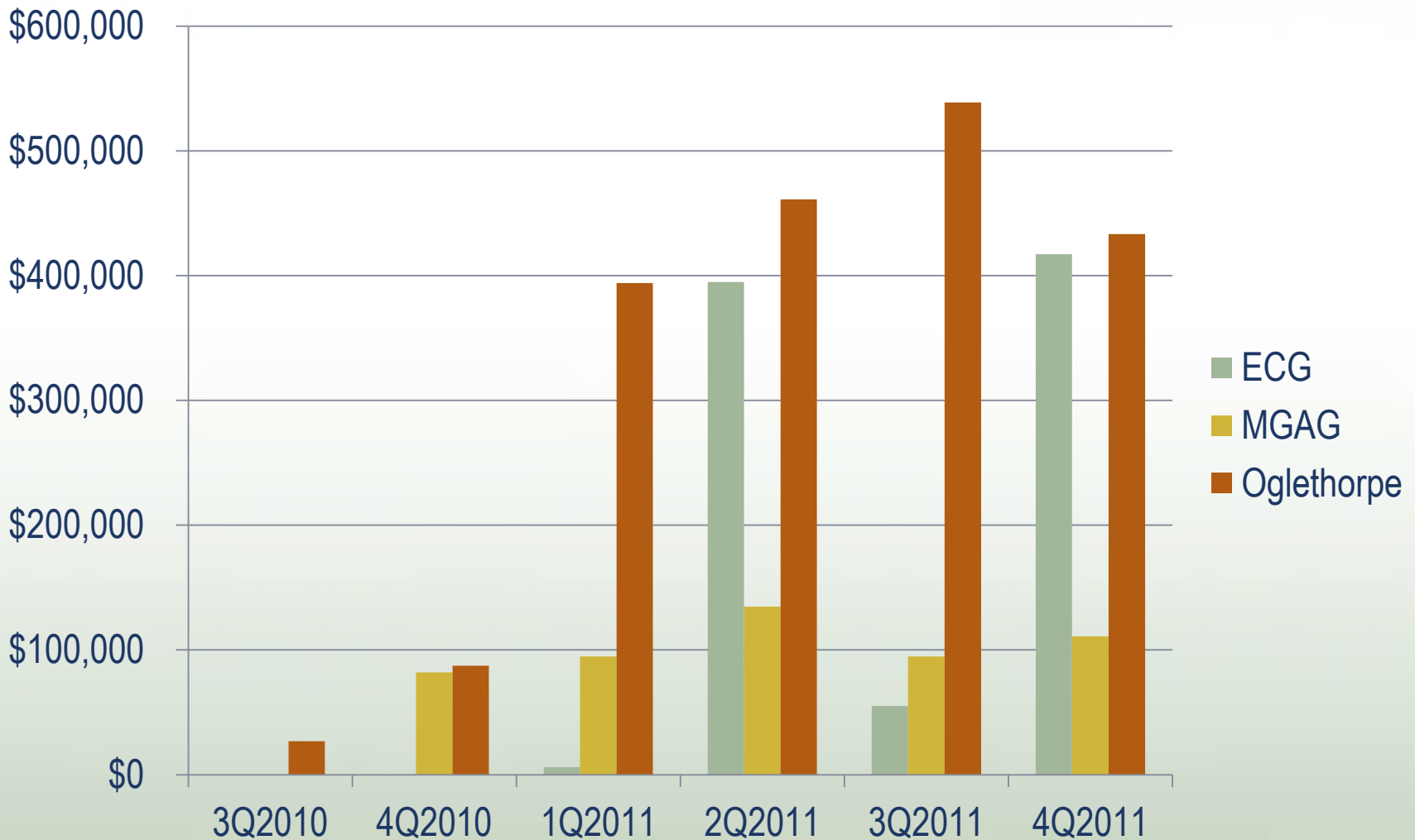


# OBF Program - Number of Loans





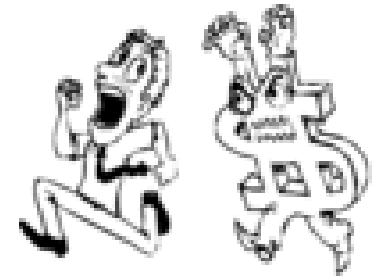
# OBF Program – Grant Funds Spent





# OBF Program Challenges

- ❑ Takes time to build a program's **momentum** and get partners engaged (not much time to get started)
- ❑ Cooperatives were **concerned** about loan loss risk
  - Credit Union partnerships helped
- ❑ Communicating and maintaining compliance with “qualified improvements” takes continuous and ongoing **communication** with all stakeholders
- ❑ Loan volume can change by season



# OBF Program Benefits

## ❑ Job Creation

- Providing work & increased business for approved, local contractors and business owners during an economically difficult time

## ❑ Providing Customer Service with Energy Savings

- Reduce monthly bills to residential customers



## ❑ 'Feel good' factor from Utility/Municipal to Customer Base

- Being GREEN

## ❑ Provides Alternatives for Cooperative Customers

- This program provides a low cost solution for many homeowners who otherwise could not afford energy efficiency improvements



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