



**S E E A**

SOUTHEAST ENERGY EFFICIENCY ALLIANCE

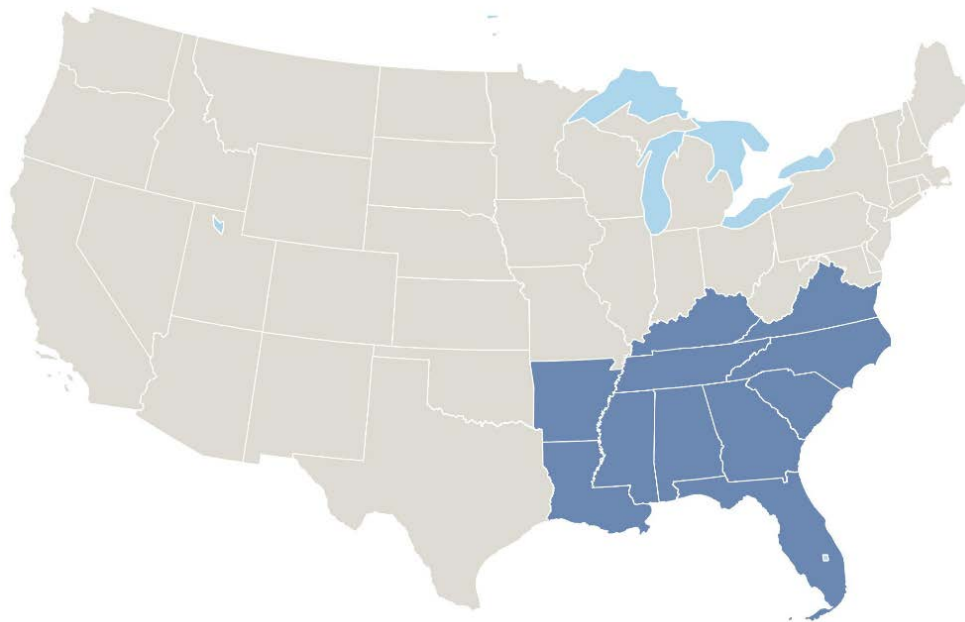
**WEBINAR SERIES**

**Energy Efficiency Programs  
and Community Reinvestment Act:  
Blending the Outcomes**

April 27, 2017

# SEEA SERVES THE SOUTHEAST

The Southeast Energy Efficiency Alliance (SEEA) promotes energy efficiency as a catalyst for economic growth, workforce development and energy security. We do this through collaborative public policy, thought leadership, outreach programs, and technical advisory activities.



**Regional Energy  
Efficiency Organization**

**Eleven-state  
footprint**

**Non-profit,  
non-partisan**

# WELCOME TODAY'S GUESTS

**Travis Yelverton**

SEEA Consultant – EE CRA Engagement

**Sheree Eddie**

CEO, Jax Metro Credit Union

**Tracey Graham**

CRA Specialist, BancorpSouth

# EE CRA OVERVIEW

## COMMUNITY REINVESTMENT ACT

- The Community Reinvestment Act (CRA), enacted by Congress in 1977
- Encourage commercial banks and savings associations to help meet the needs of borrowers in all segments of their communities, including LMI neighborhoods
- Institutions that receive FDIC insurance are evaluated to determine if the bank offers credit in all communities in which they are chartered to do business (*Community Development Test*)
- An institution's CRA compliance record is taken into account by the banking regulatory agencies when the institution seeks to expand through merger, acquisition or branching
- The law does not mandate any other penalties for non-compliance with the CRA



# EE CRA OVERVIEW

## COMMUNITY REINVESTMENT ACT

- July 2016 Q&A posted by US Treasury Department to the Federal Register (Vol. 81, No. 142)
- Contains examples and clarifications related to the definition of Community Development loans
  - *Loans for EE and water conservation for affordable housing and community facilities serving LMI residences were among examples given*
- Qualified Investments for Community Development also discussed and clarified
  - *Supports an organization or activity that covers an area that is larger than, but includes, the institution's investment area*
- SEEA and US DOE partner for outreach and education to promote EE loan programs as an additional tool for CRA compliance



# EE CRA OVERVIEW

## CHALLENGES TO PROGRAM DESIGN

- Forming beneficial alliances in each service area
  - Compliance with CRA is measured across all service areas where the bank has physical operations
  - Full compliance is not required in each individual service area, but as an aggregate of performance according to the bank's size and footprint
  - Alliances with local willing partners is necessary in each market, to include utilities, contractors, auditors for marketing and project quality
- Crafting acceptable underwriting guidelines
  - Customer matrix which does not uncomfortably raise the program's risk profile, while also providing inclusion of LMI households eligible for CRA credits



# EE CRA OVERVIEW

## STAKEHOLDERS AND PARTNER TARGETS

- Federal Deposit Insurance Corporation (FDIC)
- Office of the Comptroller of the Currency (OCC)
- Regulated Banks – Pre and Post CRA Examination
- Community Redevelopment Agencies
- City and County Board of Commissioners
- Local and Regional NGOs also working in EE or LMI Activities
- Local Utilities & Local Governments
- Area Licensed Contractors, Auditors
- State NGOs (e.g. Florida Redevelopment Association)



# EE CRA OVERVIEW

## PROGRAM DESIGN OVERVIEW

- Minimum and Maximum loan amounts
  - \$2000-2500 minimum recommended
  - \$10,000 - \$15,000 maximum
- Eligible activities
  - Energy Efficient and Weatherization upgrades
  - Equipment replacement allowed if choosing an Energy Star appliance
  - Audits may or may not be required, but also can be used in underwriting criteria
- Lending Terms
  - 12-84 months, likely unable to match up with useful life of larger equipment
  - Project still provides monthly energy savings for relief from new loan payments
  - Modest administrative fee at closing (<\$100)
  - Interest rates from 6% - 10%





# EE CRA OVERVIEW

## BEST PRACTICES IN PROGRAM DESIGN

- Set underwriting guidelines which have sets of criteria for higher and lower dollar amounts
  - Ex \$2000 - \$5999 and \$6000 - \$15,000
- Set underwriting guidelines which are more favorable for projects which have been audited and expected to provide positive cash flow
- Initiate the program in a service area where bank officers have established community development contacts
  - Allows for incremental rollout as a pilot program
  - Local utilities and municipal contacts can be leveraged for outreach and for forming relationships with quality contractors in area
  - Contractors are likely to become the best pipeline for customers into the new program



# EE CRA OVERVIEW

## BEST PRACTICES IN PROGRAM DESIGN

- Marketing campaign for programs should be a combination of internal and external marketing
- Program participation can provide a beneficial mix of new and existing customers
- Previous EE programs have used a combo of various methods to reach these participants
  - Envelope stuffers in monthly statements
  - Billboards
  - Radio advertising
  - Postcard mailers
  - Workshops (education for customers and contractors)
  - Website integration and specialty websites
  - Local energy conscious and sustainability groups



# EE CRA OVERVIEW

## PROGRAM DESIGN & IMPLEMENTATION

**Sheree Eddie, CEO**

**Jax Metro CU**

**Home Performance Loans**

**Jacksonville, FL**





Jax Metro Credit Union

Presented by Sheree Eddie – President / CEO

# HOME PERFORMANCE LENDING



- Florida Chartered Credit Union
- Organized 1935 by Jacksonville Utility Workers
- Better Buildings Partnership formed 2011
- Over 1.4 Million loaned for Home Performance
- 170 New Members
- Average loan \$8,510

# 1<sup>st</sup> Phase Loan Program

- 0% Interest Rate
- Zero Net Payment
- Zero Equity Required
- Unsecured
- Up to 10 yr. terms
- Amounts to \$20,000
- \$1.1 Million Loaned
- 116 home upgrades
- Average loan \$9,583
- Average term 70 mos
- Average Payment \$132

# 1<sup>st</sup> Phase – Lessons Learned



- Developing Partners
- Employee Training
- Proactive Green Lending
- Rapid Turn Around
- Home Owner Education



# Industry Research

- Good Market Niche - little competition
- Promotes Membership Growth
- Opens opportunities for Cross Selling other Services
- Loans – Low to No Delinquency
- Partnership Opportunities
- Grants, Marketing & Technical assistance
- Energy Saving Community generates leads





# Phase 2 Loan Program

## Individual Measures - 15% savings individually

- Heat Pump Replacement
- Solar Water Heater
- Window Replacement
- Sealed Attic System

## Package Measures – 15% collectively

- Heat Pump Water Heater
- Attic Air Sealing & Insulation
- Duct Repair or Replacement
- Off Grade Floor Insulation
- Tankless Water Heater
- Radiant Barrier or Reflective Roofing
- Window Film & Solar Screens
- Energy Star Appliances

# Phase 2 Home Performance LOC

Credit Grade	Margin + Prime	Final Rate
A+	2.75%	6%
A	3.75%	7%
B	4.75%	8%
C	5.75%	9%
D	6.75%	10%
E	7.75%	11%

Amount	Payment % Balance	Payment Range	Term Range (Months)
\$1,000 - \$4,999	2.0%	\$20 - \$100	57-68
\$5,000 - \$14,999	1.7%	\$85 - \$255	70-85
\$15,000 - \$20,000	1.6%	\$250 - \$320	72-93

- Add 1% WITHOUT Audit performed in recent 12 months
- Rate Adjusted QTR end based on Prime
- Payment fixed, terms change

Unsecured – No Equity Required  
 Line of Credit – 1 year draw  
 Payment established at advance



# Challenges

## Regulatory Barriers

- Lack of Reporting Models
- Limited Historical Track Record
- Negative Peer Modeling
- Challenges to Underwriting

## Operating Barriers

- Meeting Quality Standards
- Sales vs. Actual Savings
- Educating Homeowners
- Quality Scope of Work well defined

# EE CRA OVERVIEW

## PROGAM DESIGN & IMPLEMENTATION

**Tracey Graham**

**BancorpSouth**

Formerly with SEED

(Shreveport Energy Efficiency Division)

**City of Shreveport, LA**



- Partnerships & Process
- Marketing and Outreach
- Loan Portfolio Performance

# EE CRA OVERVIEW

## PROGRAM SUPPORT FROM SEEA

- Technical Assistance on program design
  - Best practices from similar established programs
  - Effective partnerships for marketing and consumer engagement
  - Underwriting criteria
  - Local Partners
- Network Connections to CRA Stakeholders
  - Peer to peer learning opportunities from lenders experienced in this market
  - Network opportunities with local agencies working in affordable housing support programs
  - Overviews of CDFI activity in the CRA space



# EE CRA OVERVIEW

## EE CRA OUTSIDE INVESTMENT OPTIONS

- Third Party Program Funding
  - Established CDFI entities already working in this space, multifamily and commercial properties
  - Qualified Investments can be eligible for immediate CRA credit
  - Up to Banks to determine best underwriting method(s) for selecting TPA for CRA investment
  - Market momentum could create new single purpose JVs or TPA entities to originate, underwrite, fund and service CRA investments



# EE CRA OVERVIEW

## NEXT STEPS TO EXPLORE

- Internal Capacity Assessment
  - Experience and staffing capacity for energy efficiency and program management
- Service Area Community Review
  - Institution footprint and most viable communities for pilot implementation
- Program Partner Assessment
  - Local Utilities
  - Local Government Councils
  - Area Contractors
  - Community Action and Redevelopment Agencies



# EE CRA OVERVIEW

## RECAP OF THE TAKEAWAYS

- Blending of EE and CRA an ideal multi win for Banks and LMI connected buildings (incl. related Stakeholders)
- Local Partnerships are key among City, County, Utilities, Contractors and Banks
- Increase CRA performance by creating internal or funding external EE programs with LMI inclusion
- Vertical connections with housing rehabilitation and community redevelopment entities can revitalize an aging housing stock







**SEEA**

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**THANK YOU**

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