Program Sustainability Peer Exchange Call:

*Lender-based Revenues and Cost-savings*

Call Slides and Summary

February 14, 2013
Agenda

• Welcome

• Lender-based Revenues and Cost-savings in Oregon
  ▪ Brian Alfano, Clean Energy Works Oregon

• Q&A and Discussion
  ▪ How are programs structuring (or thinking of structuring) lender-based fees?
  ▪ How are programs sharing costs with lending partners?
  ▪ What are strategies for transitioning to lender-based fees or cost-sharing arrangements?
Participating Programs

- Portland, OR
- Madison, WI
- Boulder County, CO
- Cincinnati, OH
- Chicago, IL
- Michigan
- Los Angeles County, CA
- Omaha and Lincoln, NE
- Sacramento, CA
- Kansas City, MO
CEWO EVOLUTION

2009-2011 (Subsidized)
- GRAFT
- First Community Credit Union
- Pacific Crest
- SELCO
- Umpqua Bank

Today (Unsubsidized)
- Advantis
- CRAFT
- Pacific Crest
- CRAFT
- Umpqua Bank

Lending to people, investing for resilience
OVER 89% OF 1,179 BORROWERS HAVE A 700+ CREDIT SCORE

Credit Score Distribution

<table>
<thead>
<tr>
<th>Credit Score Range</th>
<th>Number of Borrowers</th>
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<tbody>
<tr>
<td>&lt;600</td>
<td>0.25%</td>
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<tr>
<td>600-620</td>
<td>0.42%</td>
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<tr>
<td>620-640</td>
<td>0.76%</td>
</tr>
<tr>
<td>640-660</td>
<td>1.95%</td>
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<tr>
<td>660-680</td>
<td>2.71%</td>
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<tr>
<td>680-700</td>
<td>4.75%</td>
</tr>
<tr>
<td>700-720</td>
<td>8.23%</td>
</tr>
<tr>
<td>720-740</td>
<td>8.06%</td>
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<tr>
<td>740-760</td>
<td>12.55%</td>
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<td>760-780</td>
<td>16.88%</td>
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<td>780-800</td>
<td>18.49%</td>
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<tr>
<td>800-820</td>
<td>18.15%</td>
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<tr>
<td>820-840</td>
<td>6.70%</td>
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<tr>
<td>840+</td>
<td>0.08%</td>
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• Incorporate lender specific marketing
• Utilize lenders existing customer base
• Contributed over 15% of leads in the fall
LENDER SELECTION

- Drives competition between lenders
- Allows homeowner choice
- Introduced additional products to market to serve homeowner needs
- Sets program up to charge lenders for leads
Lessons Learned

• Leverage competition between lenders
  ▪ Bringing in new partners who were unsubsidized helped put pressure on other lenders to move away from subsidies
  ▪ Gives homeowner choice
  ▪ Requires lenders to make their products attractive to obtain market share
  ▪ Additional lending partners who are willing to pay to participate puts program in a position to charge existing partners
  ▪ Be careful to keep the lenders happy; they are also your customers

• Know your lenders
  ▪ Medium to smaller credit unions have experience with smaller loans (e.g. auto loans) and cash, receptive to the loan capital a program can bring
  ▪ Larger lenders may not provide desired service to homeowners

• Showcase customer attributes to attract lending partners
  ▪ High credit scores, owner-occupied single-family homes
Lessons Learned, cont.

• Forge partnerships between contractors and lenders
  ▪ On site, contractors can recommend particular loans suited to the project
  ▪ Contractor may utilize lender for public marketing event (e.g. hosting home energy retrofit event at lender location)

• Push the responsibility for homeowner-lender work to the lender
  ▪ CEWO uses a single loan verification form to collect all the information lenders will need as well as information sharing and legal disclosures – and gives this form to the lender electronically through the Energy Savvy platform, which the lender can use to track project progress
  ▪ This approach is efficient and helps keep program from getting bogged down as the intermediary between the homeowner and lender (CEWO processes about 100 loans/mo, but only deals directly with ~10% of these)
Lessons Learned, cont.

• Have lenders do their own marketing
  ▪ Can help drive program leads from the lenders’ market
  ▪ Lowers program marketing budget, freeing up dollars to use in other program areas

• Offer cash as well as financing options
  ▪ Requiring 100% financing created unintended consequences; homeowners who did not want loan paid off immediately, costing lenders money
  ▪ 10-30% of homeowners in CEWO pay cash; rest are financing

• Fee potential in the CEWO program model:
  ▪ Test-in (first fee CEWO is considering)
  ▪ Leads given to contractors (contractors currently responsible for 30% of leads)
  ▪ Lender fees (e.g. loan fees)
  ▪ Utility funds for incentives

• Avoid the one-size-fits-all loan product
  ▪ Different products fit different homeowner demographics
Future Program Sustainability Call Topics

Program Sustainability calls will be on Thursdays from 12:30-2:00 PM on the dates below

• Program Sustainability Mastermind Session (TBD)
• Administering Non-profit Energy Efficiency Programs (March 14)
• Unique Fee-For-Service Revenues (April 11)

Please email other suggested call topics to: peerexchange@rossstrategic.com