

# US homeowners to benefit from groundbreaking home energy loan financing platform

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**San Francisco, CA** —Homeowners across the United States will benefit from an innovative public-private partnership announced yesterday to make it easier to find lower-cost loans for home energy efficiency improvements. Leading institutions from the public and private sectors today announced the formation of a national financing platform that will for the first time bring low-cost, large-scale capital to government and utility-sponsored residential energy efficiency loan programs – which can be utilized by homeowners in states that participate.

The Warehouse for Energy Efficiency Loans (WHEEL) opens the residential energy efficiency finance market to large institutional investors – bringing low-cost capital to loans for home energy efficiency improvements. Loans will be made to consumers and the investment grade securities available to institutional investors. (Additional information about the program can be found at [wheel.renewfund.com](http://wheel.renewfund.com))

WHEEL is the product of a years-long collaboration between national leaders in the worlds of finance and energy, including Citigroup; the Pennsylvania Treasury Department; Renewable Funding; the Energy Programs Consortium; National Association of State Energy Officials and the U.S. Department of Energy. In addition, key financial support for the project was provided by Energy, Ford, Rockefeller, Surdna and William Penn Foundations. The global law firm Dentons provided the legal counsel to Renewable Funding throughout the structuring, negotiating and finalizing the new lending product.

“WHEEL is designed to serve a \$200 billion unmet need for financing in the home energy efficiency market,” said Cisco DeVries, CEO of Renewable Funding. “Now, we are making it easier for consumers and contractors to utilize affordable loans, supported by their state or utility, to make energy efficiency improvements. We are also making it easier for investors to find a path into this important and urgently needed market.”

WHEEL makes financing programs simple for states, utilities, contractors, and homeowners. Approved local contractors will offer low-cost financing directly to consumers. The loans will be purchased by Renewable Funding with a credit facility provided by Citi and the State of Pennsylvania Treasury, aggregated into diversified pools, securitized, and sold to institutional bond investors, thereby replenishing the capital to be loaned to consumers.

WHEEL builds on Pennsylvania’s successful Keystone HELP Loan program. The State of Pennsylvania has supported low-rate loans for energy efficiency improvements since 2006. These loans, originated by AFC First Financial Corporation, an energy efficiency lender, have helped more than 13,000 homeowners reduce their energy use – and provided the robust performance data necessary to launch the national WHEEL program.

Key factors driving this new financing platform include:

- McKinsey & Co. reported in 2009 that the U.S. could reduce energy consumption in homes by 28% by 2020, with an upfront investment of \$229 billion.
- States and utilities are expected to double spending on energy efficiency rebate and incentive programs by 2025 –

to approximately \$15.6 billion.

- That leaves more than \$200 billion in unmet need for financing to make homes more energy efficient. By tapping into the asset backed securities (ABS) bond market, WHEEL will help meet that need.

Taking the WHEEL concept to states across the country required an innovative capital partner. Yesterday, Citi announced a warehouse facility for Renewable Funding to purchase loans to facilitate a \$100 million ABS medium term note program that will create bonds that can be sold to institutional investors.

"Energy efficiency is the cheapest and often the fastest way to reduce carbon emissions," said David Danielson, Assistant Secretary for Energy Efficiency and Renewable Energy, U.S. Department of Energy. "Through the Energy Department's Better Buildings Initiative, innovative financing solutions are helping states, utilities and consumers implement cost-effective efficiency improvements that save money on energy bills and build a more sustainable, cleaner energy future."

Residential buildings account for 22% of all energy use, according to the Harvard University's Joint Center for Housing Studies. Older homes are significantly more inefficient than new homes. Bringing homes built prior to 1970 up to the efficiency standards of newly constructed homes would cut total residential energy use by 10%.

"As one of the first supporters of both WHEEL and the Energy Programs Consortium, we saw the potential to change the way states work with the private sector to deliver residential energy efficiency programs and financing. It's a leap, not a step, forward and yet another example of how states can utilize U.S. State Energy Program funds and private resources to catalyze innovation in energy financing," said David Terry, Executive Director of the National Association of State Energy Officials.

In addition to its energy and environmental benefits, energy efficiency is a strong economic development tool. Every \$1 million invested in energy efficiency improvements creates 20 jobs – most of which are local construction jobs. Important home energy efficiency improvements include insulation, windows and doors; and energy efficient heating, ventilating and air conditioning systems. In the longer term, it is estimated that investment in energy efficiency and advanced technology would support and increase of 1.3 to 1.9 million jobs by 2050.

The Dentons team was led by Christopher Oliver, partner, Capital Markets practice, and included Todd Anderson, partner, Capital Markets; Erik Klingenberg, partner, Tax; Robert Olin, partner, Capital Markets; Matthew Yoon, partner, Capital Markets.

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