



Pennsylvania's Keystone HELP Engaging Contractors to Drive Demand

The Keystone Home Energy Loan Program (HELP) focuses on “reactive” customers who have already made the decision to make an energy-related investment (usually because an old piece of equipment has broken). HELP’s contractors then promote more energy efficient options and more comprehensive home energy improvements, each accompanied by attractive financing. In four years, Keystone HELP has originated 5,500 loans totaling almost \$40 million in total funding. Thus far, only about 10% of these loans (about 550 loans) have been for comprehensive home energy improvements, the rest are largely for single measure replacements. The program is noteworthy for the simplicity of the application process and for its network of contractors trained to use the program as a marketing tool and to perform high-quality home energy improvements.

Background

Keystone HELP is administered by AFC First Financial, a private lender, in collaboration with Pennsylvania’s Department of the Treasury, Department of Environmental Protection, and Housing Finance Agency. Originally started as a pilot with the West Penn Power Sustainable Energy Fund in 2005, the program was launched statewide in 2006 to provide low-interest loans to owner-occupied single family homes and duplexes for energy efficiency improvements. Credit scores are used to determine homeowner eligibility. The eligible measures range from Energy Star appliances to comprehensive home energy upgrades recommended by a certified assessor. A variety of loan terms are available, ranging from a secured \$5,000 to \$35,000 loan with a 3.875% interest rate for comprehensive upgrades to an unsecured \$1,000 to \$15,000 loan with a 6.99% interest rate for Energy Star qualified equipment and single-measure upgrades. According to Peter Krajsa, President of AFC First Financial, this tiered financing approach has “been able to influence the market and force the market to change and, interestingly, also to get contractors to embrace a greater move toward home performance ... because they’re able to offer greater incentives if they move in that direction.”

From the homeowners’ perspective, the program is simple. Customers can apply online, by phone, or by mail and can find out within minutes whether they have been approved for a loan based on their credit score. For home energy improvement loans, some of which require an energy assessment, the improvements must have a projected savings of at least 15-25% of home energy use (depending on the initial energy efficiency of the home). When the work has been completed to the customers’ satisfaction, the customer authorizes Keystone HELP to pay the contractor. Thus far, about 90% of loans have been for “reactive” energy efficiency upgrades (i.e. responding to something that urgently needs repair, such as a furnace replacement) as opposed to “proactive” home energy improvements, which are higher-value, more comprehensive improvements.



Engaging Contractors to Drive Demand

Recognizing that contractors have the power to influence consumers at the point when they are making a major purchase or renovation decision, Keystone HELP has chosen to develop a network of contractors and train them to sell the program. The program does limited outreach to communities, which includes attendance at trades shows and energy events. When the program was launched, Keystone HELP sales staff contacted contractors through direct mailings and through a “road show” across Pennsylvania of breakfast meetings.

Keystone HELP works with contractors to help them integrate the program into their marketing approach and sales pitch. Keystone HELP has 3.5 full-time sales staff working directly with contractors, as well as an internal support staff member. They do frequent webinar trainings for contractors and have recently built a website with sales tools and advertising templates for contractors. Providing templates allows Keystone HELP to control the message and make sure that customers are getting accurate information about the program. Contractors have been very receptive to the program – they see it as a way to generate new business.

Keystone HELP has three levels of contractor certification: approved, trained, and certified. “Approved” contractors have met basic financial and ethical practices, but are not eligible to do comprehensive upgrades. “Trained” contractors have gone through Keystone HELP’s one-day home performance introductory training course and are eligible to perform home performance retrofits under the supervision of a Building Performance Institute¹ (BPI) accredited contractor. “Certified assessors” have been certified by both BPI and Residential Energy Services Network (RESNET) to conduct home energy assessments and must have a Home Energy Raters² (HERS) number, be operating under a HERS provider, or be an approved energy assessment provider under Pennsylvania’s Home Energy Home Performance with Energy Star program³. There are approximately 1,600 contractors engaged in the program (and listed on the program website), but fewer than 100 have reached the “certified contractor” level.

According to Peter Krajsa, “Most consumers are motivated by necessity when it comes to energy efficiency so I call that the reactive consumer; somebody who needs to replace their furnace when it’s broken or replace their boiler and that’s really is what dominates the market.” Keystone HELP primarily serves “reactive” consumers, but they are working to build up their network of trained and certified contractors by offering BPI trainings across Pennsylvania in order to support and market to proactive consumers.

Impact and Evaluation

In three years, Keystone HELP originated 5,500 loans with almost \$40 million in total funding. Thus far, only about 10% of these loans have been for comprehensive upgrades, which average

¹ <http://www.bpi.org/>

² http://www.energystar.gov/index.cfm?c=bldrs_lenders_raters.nh_HERS

³ <http://www.pahomeenergy.com/homePerformance/index.html>

Driving Demand for Home Energy Improvements



\$15,000 per loan. About 60% of loans have been for HVAC improvements and 30% for windows or insulation.

Krajsa emphasizes the importance of the program's simplicity for both contractors and consumers, and cautions that he has seen many programs fail because they are "too bureaucratic." In his mind, the three most important aspects to a residential energy efficiency program are: (a) a simple application process and easily identified eligible measures, (b) a network of contractors that understands the value of the program and is able to market it, and (c) a program management agency that can handle the financing and administration effectively.

KEYSTONE HELP® LOAN PROGRAMS		
Unsecured Loan for ENERGY STAR		\$1,000 to \$15,000
For HEATING, COOLING, WINDOWS, DOORS, INSULATION and other qualifying improvements that are ENERGY STAR qualified or meet program standards.	6.99% 3,5 or 10 Year Term	- Unsecured, No Lien - \$150,000 Max. Household Income
Unsecured Loan for ADVANCED PERFORMANCE		\$1,000 to \$15,000
For HEATING, COOLING, CLOSED LOOP GEOTHERMAL, INSULATION and other qualifying improvements that exceed ENERGY STAR or meet program ADVANCED PERFORMANCE standards	5.99% 3,5 or 10 Year Term	- Unsecured, No Lien - \$150,000 Max. Household Income
Unsecured Loan for WHOLE HOUSE with Certified Energy Audit		\$1,000 to \$15,000
For improvements recommended by a Certified Energy Audit. Predicted minimum energy savings of 15% to 25% required, depending on your energy profile.	4.99% 3,5 or 10 Year Term Plus \$325 Audit Credit	- Unsecured, No Lien - \$150,000 Max. Household Income
Secured Loan for WHOLE HOUSE with Certified Energy Audit		\$5,000 to \$35,000
For improvements recommended by a Certified Energy Audit. Predicted minimum energy savings of 15% to 25% required, depending on home's energy profile.	3.875% to 6.375% <i>Based on Home's Equity and Loan Term</i> 10,15 or 20 Year Term Plus \$325 Audit Credit	- Up to 120% of Home's Value - 1 st , 2 nd or 3 rd Lien - \$150,000 Max. Household Income
ENERGYLOAN® PROGRAMS <i>For Improvements and Borrowers Not Eligible for Keystone HELP</i>		
Secured Loan for OTHER ENERGY IMPROVEMENTS incl. SOLAR <i>No Income Limits</i>		\$5,000 to \$35,000
For installation of non-qualifying Keystone HELP improvements that are energy efficient, including SUNROOMS (Heated), SOLAR THERMAL, SOLAR PV, CLOSED AND OPEN LOOP GEOTHERMAL	6.375% to 8.875% <i>Based on Home's Equity and Loan Term</i> 10,15 or 20 Year Term	- Up to 120% of Home's Value - 1 st , 2 nd or 3 rd Lien - No Income Limits
Unsecured Loan for OTHER ENERGY IMPROVEMENTS <i>No Income Limits</i>		\$2,500 to \$20,000
For all makes and models of HEATING, COOLING, WINDOWS, DOORS, INSULATION, SOLAR THERMAL, WATER TREATMENT and other qualifying improvements	13.99% 3,5 or 10 Year Term	- Unsecured, No Lien - No Income Limits
Secured Loan for "B&R" GENERAL HOME IMPROVEMENTS <i>Non Energy Permitted</i>		\$5,000 to \$35,000
For installation of most types of home improvements (both energy and non-energy related) with a PHFA approved Home Evaluation	6.375% to 8.875% <i>Based on Home's Equity and Loan Term</i> 10,15 or 20 Year Term	- Up to 120% of Home's Value - 1 st , 2 nd or 3 rd Lien - Max. Income 150% of HUD Area Median Income