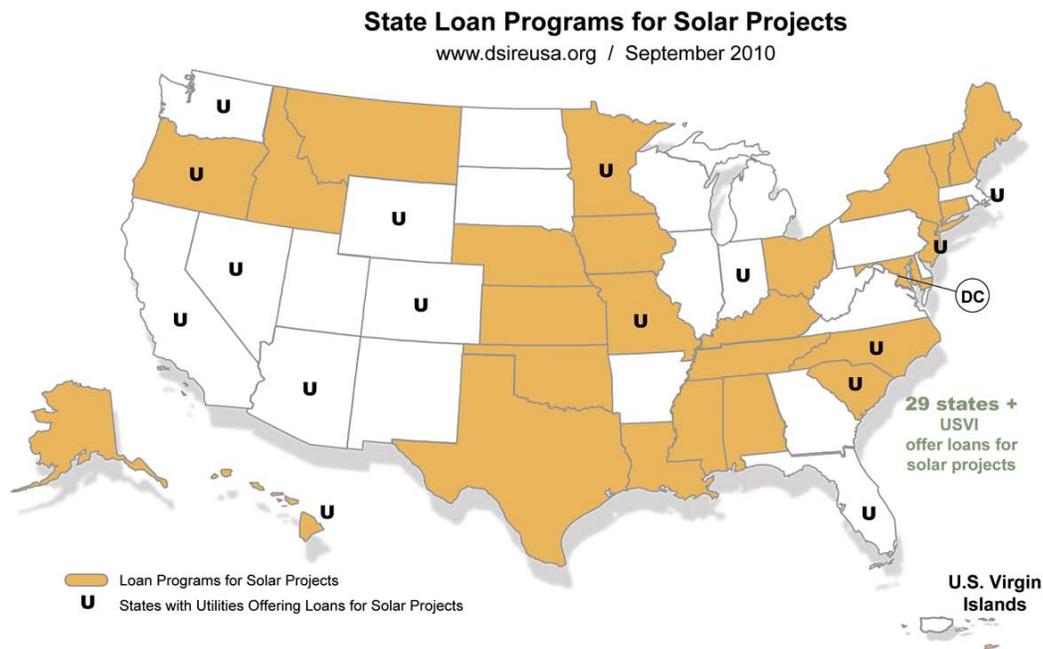


2.6

Low-Interest Loans

States, utilities, and local governments can use low-interest loans to encourage the adoption of **renewable energy** technologies. Agencies and utilities can administer a loan program directly or leverage funds by working with private lenders. Most state loan programs emphasize energy efficiency improvements that can include solar. As of September 2010, about one-third of the 30 existing renewable energy state loan programs under which solar installations are eligible target nonprofit and public buildings, including local government buildings and schools. Maximum loan amounts typically are about \$1 million for commercial systems and \$10,000 to \$30,000 for residential systems, with varying interest rates and repayment terms from 3 to 20 years. States typically collaborate with private lenders in administering a program. Utility loan programs usually target residential solar installations. Repayment schedules vary and are usually determined on an individual project basis, but some utilities offer a repayment term of up to 10 years. Local governments offer a variety of loan programs. Most municipalities and counties collaborate with a local bank or community economic development organization to secure favorable terms or to structure interest rate **buy-downs**.



Note: For the most up-to-date information on states and municipalities with property and sales tax incentives for solar, visit www.dsireusa.org/summarymaps/index.cfm?ee=1&RE=1.

BENEFITS

State, utility, and local government loan programs encourage customers to install solar energy systems by allowing consumers to spread up-front equipment costs over the life of a loan. These loan programs offer lower interest rates, better terms, and lower transaction costs relative to private lenders. Loan programs might be more politically viable than cash incentives, and they can even become self-sustaining through a revolving fund mechanism.

Implementation Tips and Options

- Evaluate multiple options for funding loan programs, including the following:
 - Revolving loan funds
 - **Public benefits funds**
 - **Renewable portfolio standard (RPS) alternative compliance payments (ACPs)**
 - Environmental noncompliance penalties
 - Sale of bonds
 - Annual appropriations.

- Incorporate key features of effective loan programs, as follows:
 - A low interest rate, longer repayment terms (at least 10 years), and minimal fees
 - An easy and concise application process
 - Coordination with other state and local programs and relevant stakeholder groups in educating the public about solar technologies and to market the loan program
 - A mechanism for tracking the details of program use, costs, and energy savings or production to enable program evaluation and improvement.

Examples

Maui County, Hawaii: Establishing 0% Interest Loans for Solar Water Heating Systems

Maui Electric Company (MECO) and Maui County teamed up to launch the Maui Solar Roofs Initiative to increase the use of renewable energy in the county. Under the initiative, MECO offers 0% interest loans for **solar water heating (SWH)** as well as a \$1,000 rebate for installations completed by one of its approved solar contractors. Resident homeowners that use electric water heaters are eligible and must make a down payment equal to 35% of the system cost after MECO's rebate. The loan program also accepts applications from renters who have the property owner's permission to install an SWH system. Maui County supplies the funds and MECO administers the loans. As of January 2010, the county had invested \$700,000 in a revolving fund to support the program, with more than 500 families participating in the program. Loan payments are based on expected monthly energy cost savings. As payments replenish the fund, more applicants can be served. Some of the funds have been designated specifically for households with income that's less than or equal to the area median income.

Visit www.mauielectric.com/portal/site/meco/menuitem.ed4aed221358a44973b5c410c510b1ca/?vgnextoid=f94c5e658e0fc010VgnVCM1000008119fea9RCRD&vgnnextfmt=default&cpsectcurchannel=1 for more information.

Orlando, Florida: Offering Loan Buy-Downs and On-Bill Financing Program

The Orlando Utilities Commission partners with the Orlando Federal Credit Union to offer low-interest loans for residential solar installations. Customers can borrow up to \$7,500 for an SWH system at an interest rate of 0% to 4%, depending on the repayment term, which ranges from 3 to 7 years. Customers can borrow up to \$20,000 for a **photovoltaic** (PV) system at an interest rate of 2.0% to 5.5% over a term ranging from 3 to 10 years. Customers can repay loans over time as fixed payments on their monthly utility bills. This program complements the utility's **production-based incentive** (PBI) program for PV and SWH. As of April 2010, 64 customers had received the low-interest loans, 6 for PV and 58 for SWH. For more information, go to www.ouc.com/en/conservation_initiatives/renewables/solar.aspx.

Visit www.solaramericacommunities.energy.gov for more inspiring examples from communities across the United States. 

Additional References and Resources

WEB SITES

Database of State Incentives for Renewables & Efficiency

www.dsireusa.org

This Web site contains a summary of renewable energy loan programs in the United States. DSIREusa.org, maintained by the North Carolina State Solar Center in partnership with the Interstate Renewable Energy Council (IREC), is the only comprehensive, regularly updated database of state renewable energy incentives in the United States, and also includes information on many local incentive programs. The U.S. Department of Energy (DOE) funds this ongoing effort.

PUBLICATIONS

State Clean Energy Policies Analysis: State, Utility, and Municipal Loan Programs

National Renewable Energy Laboratory, May 2010

This report relies on six in-depth interviews with loan program administrators to provide descriptions of existing loan programs. Findings from the interviews are combined with a review of relevant literature to elicit best practices and lessons learned.

Report: www.nrel.gov/docs/fy10osti/47376.pdf

Developing an Effective State Clean Energy Program: Clean Energy Loans

Clean Energy Group and Clean Energy States Alliance, March 2009

This paper summarizes innovative loan approaches and practices that have worked effectively to advance clean energy programs at the state level.

Paper: www.cleanenergystates.org/Publications/CESA_Loan_Programs_March09.pdf