

# Residential Financing Options For Renewable Energy Systems

## CALIFORNIA ENERGY COMMISSION

Renewable Energy Program  
1516 Ninth Street, MS 45  
Sacramento, CA 95814-5512



STATE OF CALIFORNIA

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Steve Larson, *Executive Director*

For information on renewable energy options and incentives in California

Energy Commission Website  
[www.consumerenergycenter.org](http://www.consumerenergycenter.org)

Energy Commission Call Center  
1-800-555-7794



## Energy Solutions On Site

Are you interested in reducing your energy costs by using renewable energy, but do not have the capital to afford the equipment? This fact sheet highlights the various loan programs currently available.

### Loan Program Basics

Loan products can be divided into two categories — secured and unsecured. As a general rule, unsecured loans have shorter terms (1-3 years) and relatively high interest rates. It should be noted, however, that the unsecured Fannie Mae Energy Loan is available with a 10-year term. Unsecured loans are also known as signature loans, lines of credit, and credit cards. Secured loans have longer terms (up to 30 years) and relatively lower interest rates, with the rate and term dependent upon the strength of the collateral. Also, for many home-secured loans, the mortgage interest can be deducted from income taxes. Residential real estate secured loans are by far the most common form of credit available for home improvement.

In addition, subsidized or guaranty loans, which are secured loans, for certain eligible consumers offer special terms or rates from a variety of specialty lenders. Generally these loans are offered by conventional lenders with a 'guaranty' by a state or federal agency to secure the loan. Eligible consumers include low-income, minority, and veterans.

### Residential Resources

Look on the reverse side for a list of lenders that offer attractive financing solutions. This fact sheet details a variety of financial loan products targeted directly at investments in renewable energy. To find out more about specific financing options, log onto the web addresses detailed for the particular lender you are interested in, or use the contact telephone numbers. Please visit the Energy Commission's website or call the Energy Call Center (see left) for information on renewable energy options and incentives in California.

| LOAN EXAMPLES (\$11,000) |              |                 |               |
|--------------------------|--------------|-----------------|---------------|
| Term and Rate            | 5 years @ 5% | 15 years @ 6.5% | 30 years @ 7% |
| Monthly Payment          | -\$208       | -\$96           | -\$73         |
| Energy Savings           | \$54         | \$54            | \$54          |
| Interest Savings         | \$0          | \$12            | \$15          |
| Tax Credit Savings       | \$27         | \$9             | \$4           |
| Net Monthly Payment      | -\$127       | -\$21           | \$0           |

A married couple in Concord with an annual electricity bill of \$1,200 is considering the purchase of a 2 kW (AC) photovoltaic (PV) system with an installed cost of \$20,000. After receiving the Energy Commission "rebate" of \$9,000 the net cost of the system would be \$11,000. Savings in year one from PV electricity production is projected to be \$650. The California Solar Energy Tax Credit of 15% for the system would be \$1,650. If they finance the \$11,000 net cost of the system with a 30 year mortgage loan at 7% interest it would result in an annual payment of \$878. This couple could also save \$5,180 in mortgage interest deductions over the 30 year life of the loan. If tax credit savings were applied to monthly payments, the combined savings would cover all of the loan payments. On a cash basis, the simple payback term for this system would be 14.4 years. If electricity rates continue to rise the payback time would be shorter. If you would like to evaluate the savings for your situation, use the Clean Power Estimator found at the Energy Commission website (see left).

**Assumptions:** Annual electricity production from the PV system in Concord is estimated to be 3,653 kWh. The annual electricity used was 8,532 kWh. The current utility rates for this example range from about \$.13 to \$.24 per kWh. Tax savings were estimated assuming the couple makes \$60,000 per year and is in a 28% federal and 8% state tax bracket.

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## Unsecured Loans

| Loan Program     | Contact  | Loan Amount         | Term           | Interest Rate |
|------------------|--|---------------------|----------------|---------------|
| FNMA Energy Loan | Electric Gas Industries Association (EGIA)<br>www.egia.com tel: 866.367.3442 | \$1,000 to \$20,000 | 1 to 10 years  | 10 to 13.5%   |
| FNMA Energy Loan | Volt Viewtech<br>www.voltviewtech.com tel: 714.632.8839                      | \$1,000 to \$20,000 | 1 to 10 years  | 10 to 13.5%   |
| FNMA Energy Loan | Golden Shores Financial<br>www.qsfonline.com tel: 888-225-3840               | \$1,000 to \$20,000 | Up to 10 years | 9.75 to 13.5% |

## Real Estate Secured Loans

|                                     |   |               |                      |                                     |
|-------------------------------------|---|---------------|----------------------|-------------------------------------|
| Conventional Mortgage               | Freddie Mac, Fannie Mae<br>www.freddiemac.com tel: 703.903.2000     | \$252,700 max | 10, 15, 20, 30 years | Fixed & Variable / Market           |
| Conventional Mortgage               | Cooperative Finance Corp<br>www.nrucfc.org tel: 800.424.2954        | \$252,700 max | 10, 15, 20, 30 years | Fixed & Variable / Market           |
| Home Equity or Mortgage Loans       | Valley Financial<br>www.solarhomefinancing.com<br>tel: 800.216.0086 | \$40,000      | 30 years             | Fixed / Market                      |
| Homestyle Remodeler Second Mortgage | Fannie Mae<br>www.fanniemae.com tel: 202.752.3821                   | \$50,000 max  | 5, 10, 15, 20 years  | 1% to 2% higher than First Mortgage |

## Guaranty Loans

|   |  |                          |                 |                   |
|---|--|--------------------------|-----------------|-------------------|
| Energy Efficient Mortgage                       | U.S. Dept of Housing and Urban Development (HUD)<br>www.hud.gov tel: 888.466.3487        | HUD Area Limit           | 15 and 30 years | Fixed or Variable |
| Mortgage Loan Guarantee                         | Department of Veteran Affairs<br>www.va.gov www.homeloans.va.gov<br>tel: 888.869.0194    | \$203,000 Max            | 30 years        | 7.5% to 8.25%     |
| Multifamily Housing Loan                        | Rural Community Assistance Corp<br>www.rcac.org/locat.htm tel: 916.447.2854              | Varies                   | up to 25 years  | 5.5% to 7.5%      |
| Single family Housing Loan                      | Rural Community Assistance Corp (as above)   | Varies                   | up to 25 years  | 5.5% to 7.5%      |
| Residential Housing Loan                        | Community Bankers of Northern and Southern California<br>www.cboca.org tel: 310.375.6302 | HUD Area limits          | 15 and 30 years | Fixed or Variable |
| Residential Housing Loan                        | North American Mortgage Co.<br>www.namc.com tel: 800.631.6868                            | CHFAFA area limit        | 15 and 30 years | Fixed or Variable |
| Residential Housing Loan                        | USDA Rural Housing Service (HUD) (as above)  | \$100,000 to \$2,000,000 | 30 years        | Fixed & Variable  |
| Title I Property Improvement Mortgage Insurance | U.S. Department of Housing and Urban Development (HUD) (as above)                        | \$25,000                 | 20 years        | Fixed or Variable |

## Subsidized Loans

|                                |  |                              |                |                   |
|--------------------------------|--|------------------------------|----------------|-------------------|
| Cal Rural                      | CA Rural Home Mortgage Finance Authority<br>www.calrural.org<br>tel: 916.444.2615        | Income limits                | 30 years       | 6.5%              |
| Energy Efficient               | Countrywide Home Loans, Inc.<br>www.countrywide.com tel: 818.225.3000                    | 15% value                    | 15 to 30 years | Fixed or Variable |
| Energy Efficient               | Energy Efficient Mortgage Facilitation Company<br>www.eemsinc.com<br>tel: 800.858.0802   | 15% value                    | 15 to 30 years | Fixed or Variable |
| Energy Efficient               | Fannie Mae (as above)  | 15% value                    | 15 to 30 years | Fixed or Variable |
| Energy Efficient               | GMAC Mortgage Corporation<br>www.gmacmortgage.com<br>tel: 800.205.4622                   | 15% value                    | 15 to 30 years | Fixed or Variable |
| Energy Star Homes Program      | U.S. Environmental Protection Agency<br>www.epa.gov tel: 415.947.4105                    | Energy Star Partner Specific | Varies         | Varies            |
| Energy Efficiency Loan Program | Sacramento Municipal Utility District<br>www.smud.org/pv/index.html<br>tel: 916.732.6198 | No limit                     | 10 years max   | 9 to 11%          |
| PV Pioneer I                   | Sacramento Municipal Utility District<br>www.smud.org tel: 916.732.6679                  | \$4/mo premium               | 10 years       | Purchase Option   |
| Rural Housing Service          | USDA Rural Housing Service (as above)  | \$100,000 to \$2,000,000     | 30 years       | Fixed & Variable  |