



# Dealing with drafts and high heating bills?

FINANCE ENERGY-SAVING PROJECTS ON YOUR UTILITY BILL WITH WRAP

## **Weatherization Repayment Assistance Program (WRAP)**

**Mia Watson, Special Programs Manager, Vermont Housing Finance Agency**

# Weatherization Repayment Assistance Program (WRAP)



- VHFA provides lending capital and up to \$1,500 incentives for upfront costs of home weatherization projects, cycled back over time via on-bill repayment.
- Approved measures are specified by the Home Performance with Energy Star Program, including insulation and air sealing. In conjunction with weatherization, WRAP can also finance space heating and cooling, heat pump water heating, and necessary health and safety measures.
- Program funding targeted to households earning at or below 120% AMI.
- Homeowners and renters eligible in buildings with 1-4 units can participate\*.



*\*Multifamily buildings must have single meter in building owner's name.*

# WRAP timeline



- June 2021**
  - Weatherization funding passes Legislature and signed by Governor Scott (Act 74)
  - Work with EAN, Efficiency VT, VGS, BED, distribution utilities and other stakeholders to design WRAP
- Dec 2021**
  - Held customer focus groups
  - Development of legal documents/agreements
- July 2022**
  - Four utilities file tariff for WRAP with PUC
- Sept 2022**
  - PUC approves all four tariffs
  - Sign program agreements and prepare for launch
- Dec 2022**
  - Kick-off event at the State House
- Sept 2023**
  - WRAP actively offered through EVT, VGS and BED
- July 2024**
  - AoA approves grant extension through end of 2025

# WRAP designed to address common barriers to weatherization for moderate income households:



Challenge	Solution
High upfront costs	WRAP combines utility and/or VHFA incentives with an on-bill repayment over time to greatly reduce or eliminate upfront costs. EEU and VHFA incentives are incorporated into project, so that customer often does not need to front payments.
Limited access to credit	With WRAP, traditional underwriting standards such as credit scores are not utilized. Underwriting is based on the customer's payment history with utilities for the 12 months prior to enrollment.
Long payback period	Long payback periods are a barrier if a customer think they might move during the payment period. In WRAP, the customer is only obligated to pay the surcharge for the length of time they occupy the property. If a customer moves, the new owner/renter of the property will pay the surcharge for the time they live there and experience the benefits of the measures.
Limited availability to renters	Since the WRAP charge is tied to the meter, renters can participate with landlord permission. Landlords agree to pay the charge if a subsequent tenant does not sign an agreement to pay the meter charge.

# WRAP Process



Interested customers will reach out to the Program Administrator in their area for an initial screening.

An approved contractor will work with customer to perform an energy audit, develop a list of measures and estimated savings.

The Program Administrator determines:

- If measures meet energy savings target.
- What incentives may apply, and amount of WRAP funding needed.

Once approved by the customer and the Administrator, the contractor will complete the work.

VHFA will review the project, reimburse the Program Administrator, and notify the customer's gas or electric utility of the new charge.

A WRAP repayment charge will be added to the customer's monthly electric bill and sent back to VHFA.

Burlington Electric, Green Mountain Power, Ludlow Electric, Vermont Electric Coop or Vermont Gas Systems



# WRAP financing model



Inputs	Restrictions	Product
<ul style="list-style-type: none"><li>• Efficiency Utility (EEU) incentives</li><li>• Distribution Utility (DU) incentives</li><li>• VHFA incentives</li><li>• Expected energy savings (depends on fuel source, age/condition of home, measures installed)</li><li>• Customer contribution</li></ul>	<ul style="list-style-type: none"><li>• WRAP financing capped at \$20,000</li><li>• Add in 2% interest plus \$0-\$3.50 DU fee</li><li>• VHFA incentives limited to LMI customers who need additional \$ to screen</li><li>• Cash flow positive by at least 10%</li><li>• Term capped at 180 months</li></ul>	<ul style="list-style-type: none"><li>• Lowest possible term</li><li>• WRAP monthly payment (base + interest + fee)</li></ul>

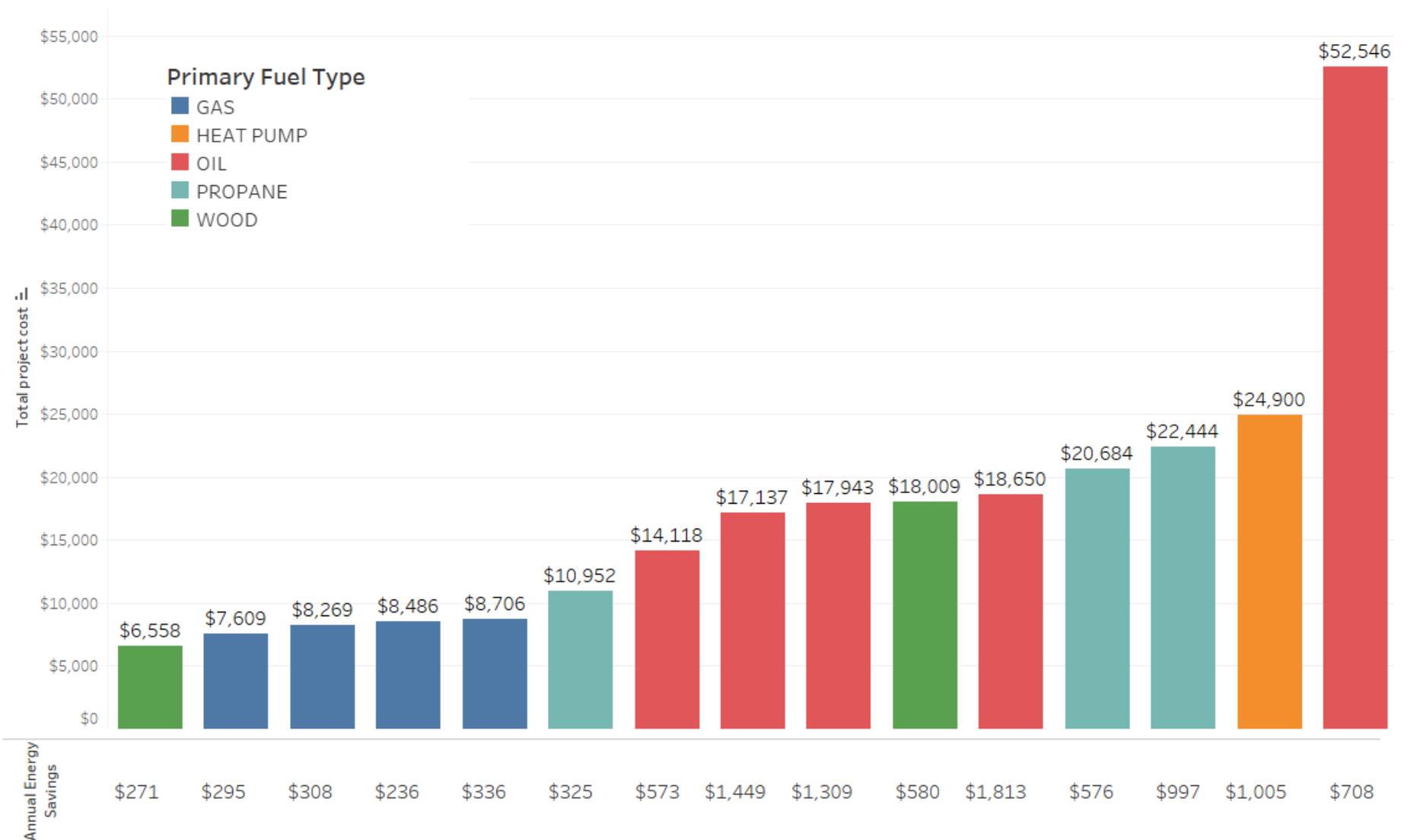
# WRAP projects



<b>Financed projects</b>	15	All comprehensive wx; 2 heat pumps; 1 advanced wood system
<b>Average total project cost</b>	\$17,137	Range: \$6,558 - \$52,546
<b>Average incentives (EEU, DU, VHFA)</b>	\$6,568	Efficiency VT incentives currently up to \$9,500 for LMI WX
<b>Average projected annual energy savings</b>	\$719	Range: \$271 - \$1813
<b>Average WRAP financed cost</b>	\$6,802	Range: \$1,237 - \$14,650
<b>Average monthly payment</b>	\$52.23	Range: \$17.70 - \$132.79
<b>Average WRAP payment term</b>	158 months	Range: 78-180 (5 at max)

# WRAP projects

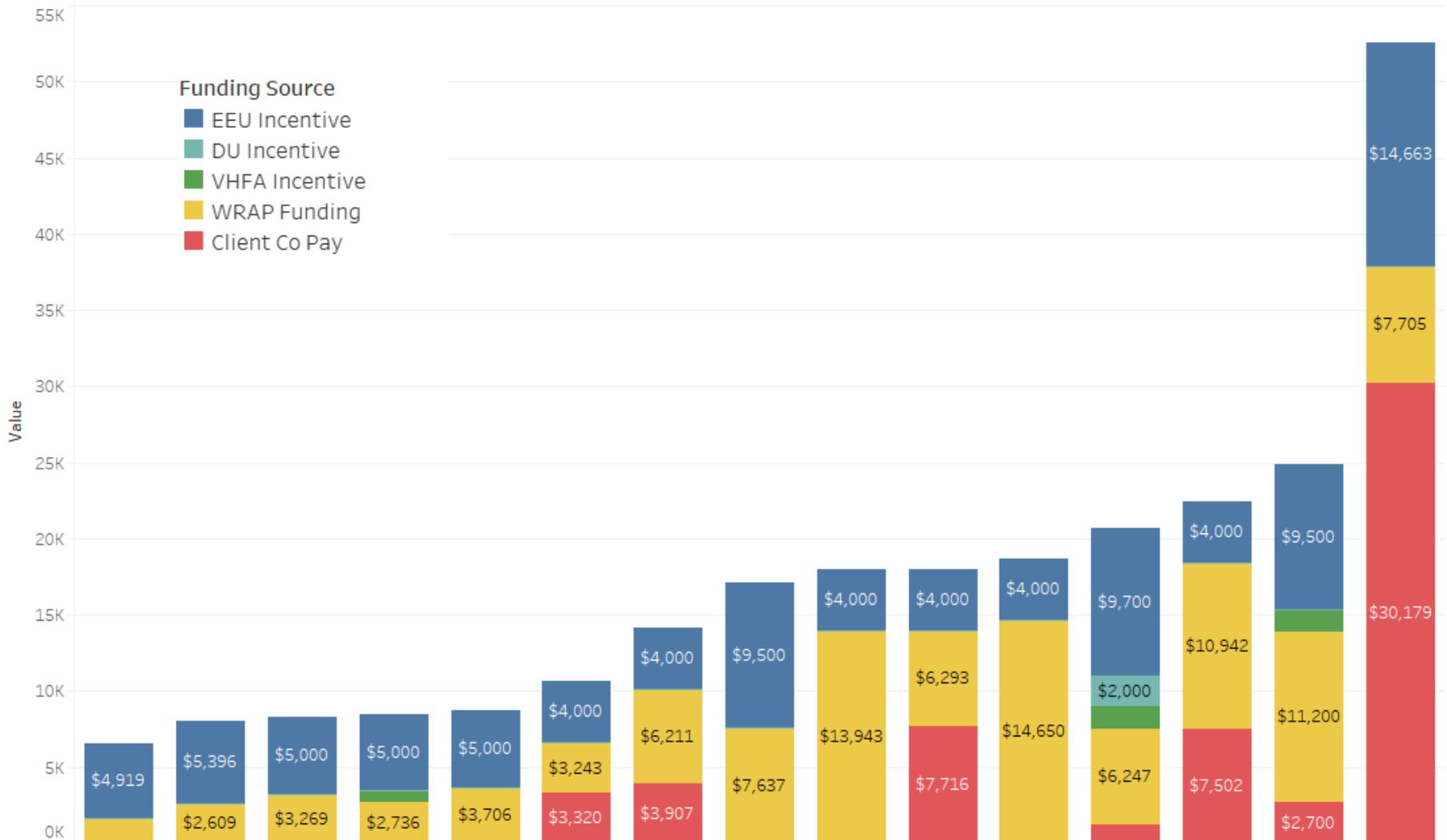
## Total Project Cost by Fuel Type



# WRAP projects



## Project funding source



# Weatherization Financing Market Comparison



Financing approach	Self-financing	Home Energy Loan	WRAP
<b>Benefits</b>	<ul style="list-style-type: none"> <li>No additional costs from interest or fees</li> <li>Smoother/faster process with contractor</li> </ul>	<ul style="list-style-type: none"> <li>Interest rates as low as 0% for LI households)</li> <li>Loan terms of up to 15 years</li> <li>Finance up to 100% of the project</li> <li>Quicker processing time</li> <li>Does not require specific energy savings</li> </ul>	<ul style="list-style-type: none"> <li>Lower interest rates than conventional financing (2% plus fees)</li> <li>Terms up to 15 years, with ability to move and keep the charge on the meter</li> <li>Charge added to utility bill (no additional bill)</li> <li>No credit checks required</li> <li>EEU incentives are included in project financing and do not have to be fronted by customer</li> <li>Access to additional VHFA incentives up to \$1,500</li> </ul>
<b>Challenges</b>	<ul style="list-style-type: none"> <li>Not feasible for many households</li> </ul>	<ul style="list-style-type: none"> <li>Lowest rates require shorter terms</li> <li>Customers receive EEU incentives as rebates (requiring upfront payment)</li> <li>Constitutes additional debt the homeowner must pay in full even if they move</li> </ul>	<ul style="list-style-type: none"> <li>More paperwork and processing times required</li> <li>Requires 10% cash flow positive energy screening to proceed (uncertain at start of project)</li> <li>May require customer contribution that cannot be financed</li> </ul>
<b>Segments targeted</b>	<ul style="list-style-type: none"> <li>Homeowners</li> <li>Higher income households</li> </ul>	<ul style="list-style-type: none"> <li>Homeowners</li> <li>Moderate income households</li> </ul>	<ul style="list-style-type: none"> <li>Homeowners</li> <li>Renters</li> <li>Moderate income households</li> </ul>

# Market data



## All Comprehensive Weatherization Projects – Efficiency Vermont\*

Year	2019	2020	2021	2022	2023	2024
Total projects	795	1072	906	608	670	778
Low and moderate income (<=120% AMI)	279	611	462	263	275	434
Market rate	516	461	444	345	395	344

## Home Energy Loan – Efficiency Vermont customers\*

Year	2019	2020	2021	2022	2023	2024
Total loans	234	860	290	447	468	478
Weatherization as Primary or Secondary project type*	95	235	81	83	90	101
Weatherization Primary Project Type – LMI borrowers						
Low Income Borrowers	24	86	22	24	21	36
Moderate Income Borrowers	46	117	40	41	33	39
Weatherization Secondary Project Type - LMI borrowers						
Low Income Borrowers	3	1	2	2	0	2
Moderate Income Borrowers	4	4	3	3	7	3

\*WRAP requires all projects to be accompanied by weatherization work. The Home Energy Loan can finance equipment independently. The primary project type is the costliest measure in the home project.

# Barriers to success

**Complicated enrollment process and customer uncertainty**

**Action Considered: Pay for audits**

**Contractor shortage**

**Lack of clean bill payment history**

**Action Taken: Relaxed history criteria**

**Home repair needs**

**Inability to achieve required energy savings**

**Action Considered: Reduce savings requirement**

**Changes in incentive landscape**

**Potential market misalignment**

# Potential market misalignment

- More interest from higher-income customers than expected
  - 7/15 WRAP customers over 120% AMI
- Customers perceive WRAP as traditional debt, which they prefer to avoid
- Complaints about lack of partial pre-pay option
- Complex needs not served by WRAP
- Lack of ability to finance equipment-only projects
  - Most Home Energy Loans finance heat pumps



Other successful on-bill programs from around the country tend to be operated by utilities (more direct line to consumers) or can finance a wider range of projects, including equipment-only purchases.

# Outlook

**Heat pumps aren't just for heating**

**Learn how  
to finance  
cooling  
solutions on  
your utility  
bill this  
summer**



## Current status:

- Extended WRAP grant with AoA to deploy reduced \$3 million funding through end of 2025
- Removed end date on WRAP tariffs

## Plans for 2025:

- Pursue more creative outreach strategies
- More research on customer behavior