

WHAT IS ON-BILL FINANCING?

Definition

On-bill finance programs are programs provided by an electric utility to cover the cost of needed energy improvements in a home, with the cost being paid back through an extra charge on the home's electric bill. The customer—or, member, in the case of electric cooperatives—does not have to pay anything upfront because the full cost of the improvements is paid by the electric utility.

Who can apply for an on-bill finance “loan”?

Eligibility in terms of the customer and the type of home is determined by the utility offering the home energy efficiency loan. However, a good on-bill finance program allows all residential customers to apply, and covers all types of housing, including manufactured homes, single-family homes and even rental properties. However, these programs are typically tailored to residents who have high electricity bills due to inefficient housing and appliances and who are unable to cover the cost of energy improvements themselves. A good on-bill finance program also uses your energy bill payment history—and not your credit score—to determine whether you are credit-worthy enough to receive a home energy improvement loan. This makes on-bill finance programs accessible for residents who might not have a great credit history.

Will taking on a new “loan” put me further in debt?

The simple answer is No. Properly designed on-bill finance programs are offered as “debt-free” financing, meaning that if you happen to sell your home or move out of a home you are renting, the “loan” debt remains with the property, and the next person who moves in continues paying off the “loan,” while also receiving the benefits of the energy improvements.

What does an on-bill finance program pay for?

Home energy improvements that are eligible for funding through an on-bill finance program may vary. Some utilities offer loans only for a single item, such as a new heat pump. Others offer loans for a more substantial set of improvements and appliance upgrades. Eligibility is typically determined by cost-effectiveness. Improvements under an on-bill program might include (but not be limited to):

- Replacing and/or upgrading old inefficient heating systems with new energy efficient systems
- Sealing air leaks in the home
- Insulating attics and floors
- Tuning up HVAC systems and insulating air ducts

Will my energy bills go up if I receive an on-bill “loan”?

Not if the program works correctly!! A well-structured on-bill finance program results in a reduction in your electricity bills, not an increase. The reason for this is because the savings on your energy bills you receive as a result of the home energy improvements should be greater than the extra service charge you pay on your bill. This “net savings” is typically a goal of on-bill finance programs other electric utilities are providing. For instance, a good program will cap the monthly service charge at no more than 80% of the estimated savings you receive from the improvements, meaning that you will automatically see your energy bills reduced by 20% of the amount of the total savings. Once the “loan” is paid off, you receive 100% of the savings.

To learn more, contact Rory McIlmoil at (828) 262-1500, or visit www.appvoices.org/saveenergy