

**Testimony of Duanne Andrade
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**Before the House Select Committee on the Climate Crisis
Hearing on Financing Climate Solutions and Job Creation**

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Chair Castor, Ranking Member Graves, and Members of the Select Committee, it is a pleasure to be here with you today for this important hearing. My name is Duanne Andrade, and I am the Chief Financial and Strategic Officer of Florida's green bank, the Solar & Energy Loan Fund (SELF). I am here today as a witness to the benefits that can be achieved through the passage of House Bill H.R. 806, the Clean Energy & Sustainability Accelerator Act.

I want to begin by thanking Chair Castor and the Select Committee on the Climate Crisis for bringing forth this discussion. This Select Committee is already well-informed on the science behind the climate crisis, so today I will focus on how we can tackle the issue and create green jobs with the power of low-cost, long term capital through a Clean Energy & Sustainability Accelerator.

The Clean Energy & Sustainability Accelerator Act (Accelerator) is a bipartisan bill that would create an independent nonprofit Accelerator to function as a national green bank. The Accelerator bill is led by Michigan Representative Debbie Dingell, and is supported by a group of Members from both parties, including Representatives Don Young from Alaska and Brian Fitzpatrick from Pennsylvania. The Accelerator would invest in existing state and local green banks, fund the creation of green banks in states where they do not yet exist, and participate in project finance for large projects of national significance.

A fully funded Accelerator would catalyze hundreds of billions of dollars in investments by leveraging public, private, and philanthropic sources to create sustainable jobs; resilient, efficient, and affordable low-emissions housing; and clean transportation. The Accelerator bill has passed the House three times now: twice last year in the Moving Forward Act and the Clean Energy Jobs and Innovation Act and again this year in the Invest in America Act. The Accelerator was also included in the recent Democratic Senate budget resolution framework.

My organization, the Solar Energy and Loan Fund, and the constituents we serve, would directly benefit from creation of this Accelerator.

The Solar Energy and Loan Fund (SELF)

SELF is a Treasury certified, non-profit Community Development Financial Institution (CDFI), and a founding member of the American Green Bank Consortium. SELF is based out of Fort Pierce, Florida, with additional Florida offices in St. Petersburg, Hillsborough County, and Orange County.

Also, SELF is opening an office in Atlanta, Georgia, has pilot programs in South Carolina and Alabama, and is soon expanding into Texas and Tennessee. SELF has a ten-year track record serving low to moderate income (LMI) homeowners with small unsecured loans based on ability to repay rather than credit scores. To date, SELF has deployed nearly \$19 million in over 2,100 unsecured loans to a majority LMI homeowners with low-credit scores, with a less than 2% default rate.

SELF's mission is to **rebuild and empower** underserved communities by providing access to affordable and innovative financing for sustainable property improvements, with a primary focus on energy efficiency, renewable energy, and climate resilience in low-to-moderate income communities. SELF pursues its mission by making **unsecured** loans to finance these improvements. An unsecured loan means that the borrower does not face the threat of confiscation of their home or other assets if they fail to repay the loan.

SELF underwrites these loans based on the customer's **ability to repay, not their credit score**. A typical loan size is approximately \$10,000 with a 5-to-7-year term. The most common home improvement projects are high efficiency air conditioners, roofs, impact windows, hurricane shutters, and solar rooftop PV systems.

SELF believes that our current lending system does not work well for those who need credit the most. LMI households account for 42% of all US households. Working class Americans frequently have low wealth and low credit scores, which investors refer to as "sub-prime" to connote "high risk". The traditional financial system assesses risk by looking at credit scores, rather than the ability to repay. Credit scores and traditional underwriting methods frequently do not capture true creditworthiness of underbanked and LMI clients. Therefore, there are huge opportunities to serve these markets, delivering economic, social, and environmental benefits. The biggest barrier to serving these markets, however, is the lack of low-cost, flexible capital.

This LMI population that SELF serves is referred to by United Way as "ALICE": Asset Limited, Income Constrained, Employed.¹ ALICE Americans are not wealthy enough to access fair-priced capital, but not poor enough to benefit from most grant or subsidy programs. While they might hold a mortgage, pay their taxes, and always meet their bills on time, they cannot afford the upfront costs of residential energy efficiency and climate resilience retrofits, and their low credit scores prohibit them from borrowing at affordable rates.

We are proud of the progress that we have made over the past 10 years and especially our growth in recent years. However, the stark truth is that we are not doing enough. In our home state of Florida, there are 7.7 million households, of which 33% are ALICE.² That means there are approximately 2.5 million households in Florida that live above the federal poverty line but cannot afford the investment to make their homes cheaper to run and safer from storms. All these homes could benefit from the flexible, low-cost capital that SELF provides.

¹ <https://www.unitedforalice.org/>

² https://www.hfuw.org/wp-content/uploads/2020/05/2020ALICEHighlightsReport_FL_FINAL-4.15.20.pdf

The lack of access to affordable credit to build, improve, and protect assets exacerbates climate risks, leaving LMI communities more exposed than anyone else to climate events. This exposure creates a heavy “climate burden” – meaning additional costs (insurance, energy, capital) and risks associated with climate events that threaten their only assets: their homes; their health; and their ability to be productive. Climate resilience upgrades include energy efficiency; insulation and weatherization; high-efficiency air conditioners and heaters; solar energy with battery storage; and fortified roofs, impact windows and hurricane shutters. These upgrades help residents save money to repay the investments, but even more importantly, they greatly improve quality of life, health, and safety when faced with climate or health threats as we experienced during the Covid-19 Pandemic.

In 2020, amidst the Covid-19 pandemic, SELF’s overall lending activity increased by 84% and surpassed \$5 million annually for the first time. SELF has now grown by 400% over the last three years and financed over 2,000 sustainable home improvement projects totaling \$19 million in **unsecured loans**, with 74% of the lending activity in underserved markets

Jobs

From an economic stimulus perspective, SELF helps large and small, local, minority-owned contractors do work in underserved communities—often their own—by offering a financing tool that will fit the needs of LMI homeowners. Developers benefit from access to SELF’s low-cost Housing Impact funds that provide low-cost capital to complete capital stacks that incorporate “green” (climate resiliency, energy efficiency, and solar and battery storage) building standards to benefit low income rental tenants. This latter product is one that there is an increasing demand for.

By financing improvements in communities with no affordable alternative, SELF opens up a new market for contractors who would otherwise be shut out of helping this portion of America. **This translates to more business and more jobs.** SELF’s contractors have expressed that without SELF, they lose anywhere between 20 to 40 percent of business due to lack of financing available for LMI clients. SELF has over 700 vetted and approved contractors in our network, and is always adding more as we find more capital to lend.

When contractors sign up for SELF’s network, they are able to do business in new markets without taking any financial risk, which allows them to expand their businesses to support new jobs. One of SELF’s approved contractors, Westfall Roofing, said in a recent interview: *“There’s not a lot of options like SELF out there, I’ll tell you that. There’s a lot of financing companies in the home-improvement industry, but they all have pretty similar restrictions and guidelines where SELF is able to give options to homeowners when they’re getting declined everywhere else.”*³

³ <https://www.theinvadingsea.com/2021/07/12/steve-sowers-the-solar-and-energy-loan-fund-enables-low-income-property-owners-to-get-loans-for-roofing-work/>

One local Ft. Pierce family-owned business, Sea Coast Air Conditioning has done over \$1 million in projects with SELF financing. He said: *"We did the math on it this morning," Zack Langel said. "We have done a little over 200 systems through SELF (and) have never once had a problem."*⁴

A female-owned minority contractor in Orange County, Florida, was thrilled when she found out about SELF. She said "(SELF) is a very ethical company they explain everything very well to the homeowner. We were looking for a financing company that could help homeowners that are struggling"⁵

SELF's contractors are eager to find more financing for projects that are awaiting capital, especially in disadvantaged communities. In Florida, contractors are keenly aware that thousands of LMI homeowners are losing insurance coverage due to outdated roofs, windows, and doors. Insurance companies are no longer willing to underwrite climate risks unless homes are upgraded. To address this issue, accessible, low cost, and flexible capital for climate resilience is needed, especially for disadvantaged communities so that LMI homeowners and small landlords of low-income housing are able to access insurance coverage and protect their assets.

The Case for the Accelerator

As extreme temperatures become more common and severe weather events more frequent, homes use more energy and sustain more threats to their structural integrity. This year, hurricane seasons for Florida and the Southeastern United States began in May, a month earlier than usual. This week, we're seeing how a heat wave across Texas leads people to stay safe by cranking their inefficient AC units, straining the system so much that the state's grid manager has warned of potentially record-breaking electricity demand.⁶

In Florida, we're seeing how the home insurance markets will respond to worsening climate events. Just weeks before the 2021 hurricane season began, property insurance companies used the excuse of insufficient storm resilience to justify dropping over 50,000 Floridians from their homeowner policies.⁷ Close to a third of American families have zero or negative non-home wealth.⁸ This means that close to a third of America is at risk of losing their sole asset to climate change-related severe weather events. The loss of insurance protection placed over 50,000 Floridians at risk of losing the only asset they might pass on as generational wealth. **With help from the Accelerator, SELF will provide the upfront capital for climate resilience improvements, so Americans in climate-vulnerable regions can live safely, maintain their insurance policies, and pass along the full wealth of their home to future generations.**

⁴ <https://www.wptv.com/rebound/self-helps-struggling-homeowners-avoid-sweating-over-ac-payments>

⁵ <https://www.youtube.com/watch?v=m07ghVYZdUs&t=165s>

⁶ https://www.bloomberg.com/news/articles/2021-07-23/-dome-of-doom-will-bake-texas-and-central-u-s-next-week?fbclid=IwAR0Ds3qgscxSn96bg6Kmn41I_kcV5H0fdPsr9mYySVK-LSPy8gH3gz8lgk

⁷ <https://www.clickorlando.com/news/local/2021/05/24/property-insurance-companies-drop-50000-florida-policy-holders-ahead-of-hurricane-season/>

⁸ https://www.db.com/newsroom_news/Inequality_Jan2018.pdf

How can LMI homeowners ensure their health and quality of life during these extreme weather events, while also reducing broader power outage risks? In the case of Texas, who will finance energy efficiency improvements that help make these homes less of a strain on the power grid and more affordable for the residents to operate on a regular basis? In Florida, who will finance wind-resistant roofs, impact windows, and doors so the average American homeowner can protect their homes and keep their insurance?

Capital from an Accelerator would help SELF greatly expand existing LMI lending programs and would enable us to provide longer-term financing options (e.g., 10-20 years) to further advance the affordability of projects like rooftop solar PV plus battery storage. The longer-term loans would stretch out the repayment term and therefore lower monthly loan payments. Energy and insurance savings derived from these projects also help pay for the loans over time.

SELF and other green banks across the nation specialize in filling financing gaps and have decades of experience underwriting energy savings, climate risk, and energy efficiency. Green banks are innovative and nimble and exist to find financing solutions to climate issues that have been left out of the traditional financing system. Green banks have successful track records, manage funds prudently with triple bottom line returns: financial, social and environmental.

Funding for an independent Accelerator would have a much larger real-world impact than its initial capitalization from Congress because it would fund green banks that leverage private capital, recycle their own capital for repeat investment of the same dollars, and can borrow private capital. An Accelerator has a multiplier effect on total real-world investment in sustainability and resilience. **For example, with \$100 billion of funding, the Accelerator would generate \$880 billion of total investment and would create 5.5 million jobs in its first five years of operations.**⁹ You can learn more about the impact of the Accelerator in the document referenced in the footnote¹⁰ below.

SELF believes that capitalizing Green Banks will greatly help respond to these needs and that is why we need to have a federally funded Accelerator. In particular, I'd like to call your attention to a few of the key benefits of having the Accelerator funded as an independent nonprofit (as envisioned in Rep. Dingell's bill) which could not be achieved if the Accelerator is a federal government program:

- **Speed:** An independent nonprofit Accelerator would be able to move with alacrity, funding projects within weeks of establishment rather than a lengthy rulemaking process.
- **Alignment:** An independent nonprofit would allow for the measuring and direction necessary to achieve specific policy goals set forward in legislation, most notably ensuring that 40% of Accelerator investment is directed to disadvantaged communities.
- **Impact:** Only an independent nonprofit would be able to maximize the impact of public funding by leveraging its balance sheet to access additional private sector capital; an

⁹ <https://coalitionforgreencapital.com/wp-content/uploads/Accelerator-Impact-Vivid-Economics-11.22.20.pdf>

¹⁰ <https://docs.google.com/presentation/d/1E8Cxgfm2dw1eigDkyQnnwzGwqG19xEIXTRBdZGUYmVA/edit#slide=id>.

independent, nonprofit Accelerator could also recycle its capital as principal and interest from loans are repaid to the organization.

- **Standardization:** An independent nonprofit Accelerator would allow for standardization of critical metrics and lending documents, which would eventually allow for securitization of state and local green bank loans, providing further liquidity into clean energy financing markets.
- **Savings:** An independent nonprofit Accelerator would be able to reduce operating expenses by offering centralized services such as underwriting or marketing to state and local green banks like ours.
- **Cost reduction:** According to a recent study by the NRDC and the Medical Society Consortium on Climate and Health, the total economic cost of the health impact of climate change and continued and fossil fuel air pollution exceeds \$820 billion each year in America.¹¹

There is enormous demand for the type of capital offered through the Accelerator. At SELF we get weekly inquiries from other states, cities and organizations asking us to take our services to their communities seeking to replicate our inclusive green financing model to help LMI homeowners. SELF is currently actively working with groups in South Carolina, North Carolina, Alabama, Georgia, Tennessee, Texas and Louisiana to try and take existing loan programs for LMI and create new customized loan programs to address specific locational needs.

Funding from the Accelerator would enable SELF to make energy efficiency and clean energy upgrades that would help **improve the lives of LMI households across the country**. A report from the U.S. Department of Energy's National Renewable Energy Laboratory (NREL) states:

*"Pairing solar photovoltaics with rooftops of low and moderate-income housing represents an opportunity to help modernize the U.S. electric grid and improve energy affordability in low-income communities. Understanding the potential size of the LMI market in detail offers new insights and opportunities to serve these communities," Mooney said. "The potential electric bill savings from the adoption of rooftop solar would have a greater material impact on low-income households compared to their high-income counterparts."*¹²

In conclusion, in order to fully realize the economic, resilience, and climate benefits that the services SELF and other state entities offer to people in need, the Accelerator will be crucial.

Thank you for the opportunity to testify today before this committee, and I look forward to answering your questions and discussing this policy.

¹¹ <https://morningconsult.com/opinions/before-another-deadly-summer-congress-must-act-to-address-the-rising-costs-of-climate-change/>

¹² NREL, "Low- and Moderate-Income Residences Can Help Modernize the U.S. Electric Grid," April 25, 2018, see <https://www.nrel.gov/news/program/2018/lmi-residences-can-help-modernize-us-electric-grid.html>

Appendix

Client Testimonials:

Marine Combat Engineer Joe Hill: High Efficiency Air Conditioner



Pamela Turner: Roof Loan (Resilience)

Pamela Turner is a U.S. veteran, single-mother of four small children, and cancer-survivor, who works three jobs to try and make ends meet! Unfortunately, a large portion of her roof collapsed and she did not have the savings to pay for a new roof or have the credit score needed to qualify for a traditional loan. Pamela and her family were forced to suffer the consequences and she resorted to using dozens of buckets throughout her two-bedroom home



to collect water seeping through the roof. Her home was deteriorating rapidly before her eyes and it was now unsafe and unhealthy for her and her children. She had a "**major problem**" on her hands and she said she "**felt defeated**". Pamela learned of SELF and applied for a loan based on ability to repay. She was approved for SELF's lowest interest rate (5%), which is available to veterans and women with poor credit. She now has a solid metal roof on her home, and her family is safer, the home is healthier, and her largest asset is now protected. Pamela also qualifies

for home insurance again, with lower premiums, and she will rebuild her credit as she pays off the SELF roof loan.

Alice Munster Testimonial



Alice Munster, 62, stands in front of her Port St. Lucie home on Thursday, March 11, 2021, as a crew prepare to replace the shingles on her home she and her husband have lived in for 30 years. Financing for the new roof was made possible by Solar Energy Loan Fund, a local nonprofit lender to St. Lucie County residents that provides low cost, unsecured micro loans based on an individuals ability to pay rather than credit scores or income. *PATRICK DOVE/TCPALM*

A 62-year-old with a degenerative spinal disease, Munster said she's almost lost her house twice due to financial hardships. She's been living on a fixed-income for about the past nine years while her husband Michael works at a local grocery store.

*"They don't treat you like you're asking for a handout. They (SELF) have helped save my home."-
Alice Munster*

<https://www.tcpalm.com/story/news/2021/03/11/fort-pierce-nonprofit-helping-disabled-homeowners-veterans-communities-color/4594405001/>