

Update on WHEEL: The Warehouse for Energy Efficiency Loans

February 7, 2012

What is WHEEL?

- a national vehicle for the aggregation of residential energy efficiency loans
- a partnership between AFC First, Citi, Energy Programs Consortium (a joint venture of NASEO, NARUC, NEADA and NASCSP), the Pennsylvania Treasury and Renewable Funding
- Supported by NASEO and funded by the Department of Energy, the Energy Foundation, the Ford Foundation, Rockefeller Foundation and the William Penn Foundation
- aims to create a functioning secondary market, thereby:
 - reducing public subsidy requirements for these types of loans
 - reducing the cost of private capital, and
 - reducing reliance on Fannie Mae

What are the benefits of joining WHEEL?

- Access to private capital at reasonable rates (10% or below)
- Ability to leverage public funds up to threefold with private funds
- Potential for recycling of public funds for reuse to support further lending
- Program management by third parties, leaving your staff free to do its work
- Strong, experienced partner (Citi) with skin in the game to facilitate securitization and creation of a secondary market

How does WHEEL work?

- State transfers funds to a custodial account held for its benefit at a financial institution. The custodian will manage the funds in the account subject to the terms and conditions of an agreement spelling out the circumstances under which funds may be disbursed.
- When the originator makes a loan in the state that is accepted for purchase into the warehouse, funds are transferred from the state's custodial account to support the purchase of the loan.
- The loan is aggregated with other loans for sale to the secondary markets.
- At the end of the day, if the loans performed well, all or part of the state funds used to support the loan may be reused for the benefit of new loans originated in the state.

What is the status of WHEEL?

- After 18 months of development and many months of discussions with Rabobank, WHEEL moved on to discussions with Citi after the European crisis forced Rabo to halt all new programs.
- Citi expects to take the structure to its credit committee for final approval this month.
- Discussions with Fitch have been positive and suggest that a rating of BBB or A may be granted.
- Last week, NASEO and EPC met twice with Department of Energy officials for feedback and suggestions on WHEEL.

How can a state join?

- Contact me (Elizabeth Bellis) at ebellis@energyprograms.org or 917-370-7916.
- Identify the source of funds to support loans in your state (ARRA, public benefit funds, state funds, etc.).
- We expect that ARRA-based funds can be used for WHEEL activities, either directly or once funds revolve. Any extension requests should consider this type of activity.