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# CDFI Readiness for Clean Energy Lending

Essential Elements for an Clean Energy Lending Strategy

The following energy lending guidance and tools were developed for the HPN CDFI Readiness Cohort, which helped eight Community Development Finance Institutions create strategies to launch and expand clean energy business lending programs by integrating clean energy financing into their existing services.

In collaboration with



# Key Takeaways

Clean energy lending is defined as financial resources and technical assistance to support the implementation of energy-efficient and renewable energy solutions. These lending products can either be traditional loan products used for energy projects or specialized energy products. In both cases, the loan proceeds must go towards projects that increase energy efficiency or utilize renewable energy sources.

## Starting Point for Clean Energy Lending Varies

CDFIs have several ways to shape their clean energy lending strategy:

- Start with a few projects
- Build on existing products
- Start with a clean energy strategy

## Motivation for Clean Energy Lending Varies

CDFIs need to start with determining “why” they are engaging in clean energy lending:

- Access capital
- Enhance their mission
- Start or enhance clean energy vertical

## Pipeline Development Approach Varies

Each CDFI is approaching Portfolio or Pipeline Development in a combination of ways:

- Focus on high-capacity borrowers
- Review existing customers for opportunities
- Create a new customer approach



# Organizational Strategy

## Developing “The Why”

- Does energy lending fit the vision, mission, and theory of change for the CDFI’s organizational goals?
- What value-add will clean energy lending bring to the markets your organization serves?
- What organizational shift will have to take place to incorporate clean energy lending?

### Useful tool:

50-State Profile of Multifamily Building Decarbonization Markets

[Download](#)

## Impact and Approach

- The size and goals of the CDFI dictates approach to clean energy lending (approaches vary depending on business-goals)
- Approach on where each CDFI focuses energy lending can be dictated by CDFI volume goals, regional focus, impact and mission goals, energy and regulatory environment

# Capacity Assessment

## Internal vs. Third Party Capacity Needs

- What staffing and/or external services does the organization need to expand to support clean energy lending?
- Does our internal expertise support this business line or do we need additional capacity to support (sustainability point-person, clean energy underwriting, etc.)?
- What external service providers are needed to augment capacity (engineers, energy auditors, etc.)?

### Useful tool:

Clean Energy Lending Organizational Self-Assessment Tool

[Download](#)

## Expanding Partnerships

- What new partnerships need to be created to facilitate wider market adoption and pipeline development (state energy agency, utility, technical assistance providers, etc.)?

## Energy Portfolio Evaluation Expertise

- How to develop technical capacity to assess potential energy projects and access clean energy capital requirements

# Customer and Marketing Strategy

## Stage/Timing to Approach Customers

- What is the best time to approach borrower during the financial life cycle of a project? (refinance event, approaching year-15 of low-income housing tax credit [LIHTC] compliance, acquisition and early stage to influence scope of work)



## Communicate Project Energy Requirements

- What are design criteria and requirements that need to be met to obtain clean energy funding sources? (net-zero new construction vs. rehab or path to net zero, etc.)

## Customer Education and Technical Assistance

- Obtain expertise or training on how to braid in energy resources and incorporate design into projects to assist borrowers

## Partnerships to Help Develop Trainings/TA

- Create partnerships to build energy projects and conduct trainings to build expertise

# Clean Energy Products

CDFIs take different approaches to developing clean energy products:

### Program Approach

- Some CDFIs utilize grants to create a clean energy program and then think about potential for a lending program

### Products Approach

- Some CDFIs augment existing products to incorporate clean energy; or develop new products the CDFI is comfortable with, and start to pilot

#### Useful tool:

Portfolio Pipeline  
Decision Tree for  
High Performance  
Buildings

[Download](#)

# Capital Strategy

### Capitalization Strategy

- Strategy and plan to access sources to capitalize a clean energy lending program and products (participation with commercial lenders, philanthropic Program Related Investments, local or state green banks, along with liquidity strategies and project finance origination.)

### Operating Resource Strategy

- CDFI to size operating needs to achieve financial sustainability for clean energy business-line/approach (new staffing, trainings, tracking resources, etc.)

#### Useful tool:

Capitalization  
Sources for  
Clean Energy Lending

[Download](#)

# Underwriting Standards & Practices

### Incorporating Key Energy Sources

- CDFI to create processes and templates to vet and include clean energy sources into deals



## Due Diligence, Managing Risk, Vetting Assumptions

- Setting up policies/procedures and credit underwriting systems to ensure clean energy asset assumptions and risk management processes are vetted formulaically

## Augment Existing Underwriting Standards

- Ensure underwriting processes include new energy metrics, but also augment existing standards

# Tracking & Reporting

## Staying Up-to-Date with Reporting Requirements

- Navigating uncertainty to ensure models are tracking changing clean energy funding requirements

## Tracking Greenhouse Gas Reduction and Energy Measures

- Setting up data systems that augment CDFI's tracking, impact reporting, and also include new clean energy metrics like greenhouse gas emissions, energy, etc. ([EPA Portfolio Manager](#), [EnergyScoreCards](#), [Backpack](#), etc.)

## Ongoing Data Analysis

- To inform updates and/or changes in metrics from energy sources

### Useful tool:

Tracking and Reporting Emissions Impacts: A Guide for CDFIs

[Download](#)

