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**To: Members and Stakeholders**  
**From: Board of Directors**  
**Date: March 1, 2023**  
**Re: Special Purpose Credit Program**

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**Summary:**

The United States is a country of incredible economic opportunity, but also one of incredible inequality. Disparities in income, wealth, and homeownership persist along racial and ethnic lines despite efforts by both public and private actors. Although systemic racism and racial disparities are entrenched and challenging to address, significant tools exist to combat these inequalities. One of them, which has existed under the Equal Credit Opportunity Act (ECOA) since 1976, is the Special Purpose Credit Program (SPCP) – a tailored way to meet special social needs and benefit economically disadvantaged groups, including groups that share a common characteristic such as race or national origin.<sup>1</sup>

In light of the economic disadvantages faced by borrowers of color, Clean Energy Credit Union (Clean Energy CU) will be offering an SPCP to qualified BIPOC applicants.<sup>2</sup> Through the SPCP, qualified BIPOC borrowers will be eligible to receive special discounted financing for Clean Energy CU’s loans for electric vehicles, electric bikes, solar PV systems, geothermal systems, and other eligible green home improvements. At the initial launch of the program, this will consist of a 0.50% discount on those products, although terms and benefits may change as the program is evaluated over time.

We believe that it’s important for Clean Energy Credit Union to offer this SPCP because it aligns extremely well with our vision which is, “a world where everyone can participate in the clean energy movement.” Clean Energy Credit Union works toward manifesting that vision in numerous ways, one of which is to make it easier for everyone to afford to use clean energy via our exclusive focus on offering clean energy loans with the best possible terms. Furthermore, we want to be proactive in helping to ensure that the clean energy movement is as inclusive as possible, particularly of economically disadvantaged groups and other groups that may face challenges to participate in the movement.

SPCPs and high-quality green financing and technology can be important catalysts for change. We hope that this SPCP will increase access to affordable credit in the clean energy space to borrowers who otherwise may lack access to financing, to borrowers who are most impacted by environmental harms and injustice, and to the people of color and communities of color that have faced disparate and racist restrictions on their access to capital and credit for too long.

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<sup>1</sup> See Equal Credit Opportunity Act Amendments of 1976, Pub. L. 94-239; 15 U.S.C. § 1691(c); 12 C.F.R. §§ 1002.8(a), (b).

<sup>2</sup> Black, Indigenous, and other People of Color (BIPOC) is defined by Clean Energy CU as Black or African American, American Indian or Alaskan Native, Hispanic or Latino, Asian, and Native Hawaiian or other Pacific Islander.



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## **What Are Special Purpose Credit Programs?**

SPCPs are programs offered by creditors, including not-for-profit credit unions and private banks, that are designed to extend credit to people and communities that are economically disadvantaged, or to meet special social needs.<sup>3</sup> Eligible groups can share a common characteristic such as race, national origin, or sex. Lenders may offer a variety of beneficial features as part of a SPCP, such as tailored underwriting standards, grants or cost waivers, pricing discounts, or other incentives. If designed correctly, these programs help create a pathway to reducing the racial and ethnic gaps in access to credit, homeownership, and wealth.

Recently, regulators, advocates, researchers, and industry groups have identified SPCPs as a vital mechanism for addressing racial inequalities.<sup>4</sup> To encourage the adoption of these programs, federal regulators have published enhanced regulatory guidance on the legality and design of SPCPs.<sup>5</sup> Most recently, in December 2021, the Department of Housing and Urban Development published guidance confirming that SPCPs designed in conformity with ECOA are also legal under the Fair Housing Act.<sup>6</sup>

We at Clean Energy CU agree that SPCPs are a powerful tool that should be used to address the issues of longstanding economic inequality. We also believe that SPCPs can be a powerful tool for pursuing

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<sup>3</sup> See 15 U.S.C. § 1691(c); 12 C.F.R. §§ 1002.8(a)(2)-(3). The standards and requirements differ between non-profit and for-profit entities.

<sup>4</sup> See Rohit Chopra, *Statement by CFPB Director Rohit Chopra on HUD Guidance on Special Purpose Credit Programs*, CFPB (Dec. 7, 2021), <https://www.consumerfinance.gov/about-us/newsroom/statement-by-cfpb-director-rohit-chopra-on-hud-guidance-on-special-purpose-credit-programs/>; Office of the Comptroller of the Currency, *Acting Comptroller Issues Statement on HUD Guidance for Special Purpose Credit Programs* (Dec. 9, 2021), <https://www.ots.treas.gov/news-issuances/news-releases/2021/nr-occ-2021-130.html>; Mortgage Bankers Ass'n, *MBA Applauds HUD's Guidance on Special Purpose Credit Programs* (Dec. 7, 2021), <https://www.mba.org/2021-press-releases/december/mba-applauds-huds-guidance-on-special-purpose-credit-programs>; Michael Stegman, *If Repurposed for Their Intended Use, Guarantee Fees Can Help Advance Racial Equity in Housing*, Urban Institute (Aug. 5, 2021), <https://www.urban.org/urban-wire/if-repurposed-their-intended-use-guarantee-fees-can-help-advance-racial-equity-housing>; Bipartisan Policy Center, *Letter to HUD on SPCPs* (July 1, 2021), <https://bipartisanpolicy.org/letter/letter-to-hud-on-spcps/>; Lisa Rice, *Using Special Purpose Credit Programs to Expand Equality*, Nat'l Fair Hous. Alliance (Nov. 4, 2020), <https://nationalfairhousing.org/using-spcps-blog/>; Patrice Alexander Ficklin and Charles L. Nier, III, *The Use of Special Purpose Credit Programs to*

*Promote Racial and Economic Equity, Racial Justice in Housing Finance: A Series on New Directions*, Poverty and Race Research Action Council 52-59 (May 19, 2021), <https://prrac.org/pdf/racial-justice-in-housing-finance-series-2021.pdf>.

<sup>5</sup> Consumer Fin. Prot. Bureau, *Advisory Opinion on Equal Credit Opportunity (Regulation B); Special Purpose Credit Programs* (Dec. 2020), [https://files.consumerfinance.gov/f/documents/cfpb\\_advisory-opinion\\_special-purpose-credit-program\\_2020-12.pdf](https://files.consumerfinance.gov/f/documents/cfpb_advisory-opinion_special-purpose-credit-program_2020-12.pdf).

<sup>6</sup> U.S. Dep't of Hous. and Urban Dev., Off. of Fair Hous. and Equal Opportunity, *Memorandum on Special Purpose Credit Programs as a Remedy for Disparities in Access to Homeownership* (Dec. 7, 2021); U.S. Dep't of Hous. and Urban Dev., Off. of Gen. Counsel, *Guidance on the Fair Housing Act's Treatment of Certain Special Purpose Credit Programs That Are Designed and Implemented in Compliance with the Equal Credit Opportunity Act and Regulation B* (Dec. 6, 2021); see also National Fair Housing Alliance and Relman Colfax, *Special Purpose Credit Programs: How a Powerful Tool for Addressing Lending Disparities Fits Within the Antidiscrimination Law Ecosystem* (Nov. 2020), [https://nationalfairhousing.org/wp-content/uploads/2020/11/NFHA\\_Relman\\_SPCP\\_Article.pdf](https://nationalfairhousing.org/wp-content/uploads/2020/11/NFHA_Relman_SPCP_Article.pdf).



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environmental justice. We are pleased to say that we have launched an SPCP for the benefit of BIPOC borrowers, which will provide a discounted rate to applicants who qualify for the program.

### **Redlining, Economic Disparities, and Environmental Hazards**

Unfortunately, due to the United States' history of intentional discrimination—including segregation and redlining—significant disparities in wealth, homeownership, and access to clean energy exist along racialized lines and continue to have a disparate impact based on race and ethnicity.<sup>7</sup> Redlining, or the practice of denying credit to would-be borrowers in certain neighborhoods because of the neighborhoods' racial or ethnic composition without regard for the creditworthiness of individual credit applicants, takes its name from the red color that was historically used on maps to denote neighborhoods deemed high credit risks, including neighborhoods of color.<sup>8</sup> Especially as evidenced in the work of the Home Owners' Loan Corporation (HOLC),<sup>9</sup> redlining institutionalized the false notion that race and real estate values are intrinsically linked, and as a result, borrowers living in redlined areas were disproportionately denied credit or received more expensive credit than comparable white borrowers.<sup>10</sup> Although redlining has been outlawed for decades, its practice still exists in the lending industry today and its residual impacts continue to have a negative effect on communities of color.<sup>11</sup>

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<sup>7</sup> In the United States, housing equity generally accounts for about two-thirds of all wealth held by the typical (median) household. Matteo Iacovello, *Housing Wealth and Consumption*, The Federal Reserve Board (April 2011), <https://www.federalreserve.gov/pubs/ifdp/2011/1027/ifdp1027.htm>; There are significant disparities in wealth between white families and families of color, as well, including Black, Hispanic, Asian, American Indian, Alaska Native, Native Hawaiian, and Pacific Islander families. Neil Bhutta et al., *Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances*, Board of Governors of the Federal Reserve System (Sept. 28, 2020), <https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm>. However, for years, data and reports have shown that “[c]reditworthy low-income and minority families face significant barriers to sustainable homeownership, a major vehicle for building wealth and economic opportunity.” U.S. Department of Housing and Urban Development, *Paths to Homeownership for Low-Income and Minority Households*, Evidence Matters (2012), <https://www.huduser.gov/portal/periodicals/em/fall12/highlight1.html>; Aditya Aladangady and Akila Forde, *Wealth Inequality and the Racial Wealth Gap*, Board of Governors of the Federal Reserve System (Oct. 22, 2021), <https://www.federalreserve.gov/econres/notes/feds-notes/wealth-inequality-and-the-racial-wealth-gap-20211022.htm>.

<sup>8</sup> See Candace Jackson, *What is Redlining?*, New York Times (Aug. 17, 2021), <https://www.nytimes.com/2021/08/17/realestate/what-is-redlining.html>.

<sup>9</sup> In the 1930s, the Home Owners' Loan Corporation (HOLC) developed “Residential Security” maps of major American cities that documented how loan officers, appraisers, and real estate professionals evaluated mortgage lending risk during the era immediately before the surge of suburbanization in the 1950s. Neighborhoods with people of color were systematically deemed higher risk. See generally, e.g., Bruce Mitchell, *HOLC “Redlining” Maps: The Persistent Structure of Segregation And Economic Inequality*, Nat'l Cmty. Reinvestment Coal. (Mar. 20, 2018), <https://ncrc.org/holc/>. Credit discrimination historically has been widespread by both governmental and private actors. See, e.g., Richard Rothstein, *The Color of Law: A Forgotten History of How Our Government Segregated America* (2017).

<sup>10</sup> Ficklin and Nier, *supra* note 4 at 55.

<sup>11</sup> See Department of Justice, *Justice Department Announces New Initiative to Combat Redlining* (Oct. 22, 2021), <https://www.justice.gov/opa/pr/justice-department-announces-new-initiative-combat-redlining>.

The impact of redlining (historical and current) is not only economic; a variety of disparities, including disparities in health,<sup>12</sup> environmental quality,<sup>13</sup> and access to energy-efficient technology<sup>14</sup> mirror the historical redlining status of a neighborhood. Recent studies have found that historical redlining of minority neighborhoods places a heavier climate burden on residents from extreme heat, carbon pollution, and other climate-related risks than other communities.<sup>15</sup> As the Financial Stability Oversight Council of the Treasury recently reported: “The adverse effects of climate change are likely to be disproportionately borne by financially vulnerable communities, including low-income communities, communities of color, and Native-American communities.”<sup>16</sup> Communities of color not only carry a heavier burden related to climate risks, but also “suffer from higher energy bills, limited access to green space and limited job opportunities.”<sup>17</sup>

At the same time, clean energy investments—including investments in energy efficiency, weatherization, and renewable energy—provide long-term, effective solutions for lowering energy burdens

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<sup>12</sup> See, e.g., Jason Richardson et al., *Redlining and Neighborhood Health*, Nat’l Cmty. Reinvestment Coal. (Sept. 2020), **Error! Hyperlink reference not valid.**<https://ncrc.org/holc-health/>; Maria Godoy, *In U.S. Cities, The Health Effects Of Past Housing Discrimination Are Plain To See* (Nov. 19, 2020), <https://www.npr.org/sections/health-shots/2020/11/19/911909187/in-u-s-cities-the-health-effects-of-past-housing-discrimination-are-plain-to-see> (“In city after city across the U.S., from Milwaukee to Miami, researchers have found a disturbing pattern: People who live in neighborhoods that were once subjected to a discriminatory lending practice called redlining are today more likely to experience shorter life spans – sometimes, as much as 20 or 30 years shorter than other neighborhoods in the same city.” (in part covering NCRC study)); Nancy Krieger et al., *Cancer Stage at Diagnosis, Historical Redlining, and Current Neighborhood Characteristics: Breast, Cervical, Lung, and Colorectal Cancers, Massachusetts, 2001–2015*, 189 *American Journal of Epidemiology* 1605-75 (2020), <https://academic.oup.com/aje/article/189/10/1065/5812653> (living in a formerly HOLC redlined area imposed an elevated risk for late-stage cancer diagnosis, even for residents of census tracts with present-day economic and racial privilege).

<sup>13</sup> Hiroko Tabuchi & Nadja Popovich, *People of Color Breathe More Hazardous Air. The Sources Are Everywhere*, *New York Times* (Apr. 28, 2021), <https://www.nytimes.com/2021/04/28/climate/air-pollution-minorities.html>; Brad Plumer & Nadja Popovich, *How Decades of Racist Housing Policy Left Neighborhoods Sweltering*, *New York Times* (Aug. 24, 2020), <https://www.nytimes.com/interactive/2020/08/24/climate/racism-redlining-cities-global-warming.html>; Daniel Cusick, *Past Racist “Redlining” Practices Increased Climate Burden on Minority Neighborhoods*, *Scientific American* (Jan. 21, 2020), <https://www.scientificamerican.com/article/past-racist-redlining-practices-increased-climate-burden-on-minority-neighborhoods/>.

<sup>14</sup> Ariel Dreobl, Lauren Ross, and Roxana Ayala, *How High are Household Energy Burdens? An Assessment of National and Metropolitan Energy Burdens across the U.S.*, *American Council for an Energy-Efficient Economy* 3 (Sept. 10, 2020), <https://www.aceee.org/sites/default/files/pdfs/u2006.pdf> (disparate access to energy-efficient appliances, upgrades).

<sup>15</sup> Daniel Cusick, *supra* note 13 (survey of over 100 cities concluded that minority communities that were redlined bear a heavier climate burden than other communities); Danielle Vermeer, *Redlining and Environmental Racism*, *University of Michigan School for Environment and Sustainability* (Aug. 16, 2021), <https://seas.umich.edu/news/redlining-and-environmental-racism> (Many of the nation’s historically redlined districts “now contain the hottest areas” in the United States, according to data collected from 108 cities across the country by researchers at the Science Museum of Virginia and Portland State University. As a result, residents of those areas face a disproportionate risk of heat-related mortality and health impacts associated with heat and carbon pollution.)

<sup>16</sup> Financial Stability Oversight Council, *Report on Climate-Related Financial Risk* at 4 (2021) <https://home.treasury.gov/system/files/261/FSOC-Climate-Report.pdf>; see *id.* at 21-22.

<sup>17</sup> Daniel Cusick, *supra* note 13.

for minority homeowners and decreasing disparate environmental health hazards.<sup>18</sup> Unfortunately, Americans of color face significant disparities in access to affordable credit across product types; for example, borrowers of color and borrowers living in communities of color have difficulty accessing affordable finance for home improvements compared to white borrowers or borrowers living in substantially white areas.<sup>19</sup> Clean energy financing is no exception: minority communities are also less likely to have access to solar power than white communities, regardless of income level.<sup>20</sup>

Although surveys have shown that minority households are as, if not more, enthusiastic as white households about environmental issues and low emissions vehicles, particularly due to concerns about air quality in their communities,<sup>21</sup> there are significant disparities in electric vehicle ownership on racial grounds.<sup>22</sup> These disparities exist against a backdrop of disparities in auto lending generally for minority and low-income consumers.<sup>23</sup> Overall, minority auto loan applicants face lower approval rates and higher interest rates than comparable white borrowers.<sup>24</sup>

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<sup>18</sup> Drehobl, Ross, and Ayala, *supra* note 14 at 30.

<sup>19</sup> See Federal Reserve Bank of Philadelphia, *Home Improvement Lending in the Third Federal Reserve District: Patterns by Income, Race, and Gender* 7-11 (Dec. 2018), <https://www.philadelphiafed.org/-/media/frbp/assets/community-development/reports/1218-cascade-focus-home-improvement-lending.pdf>. (“Overall, applicants had more difficulty accessing home improvement financing if they were LMI, nonwhite, or female, or had no coapplicant . . . [and] controlling for the other available variables, an applicant living in a majority-minority neighborhood was significantly more likely to be denied than an applicant in a majority-white neighborhood”) (Appendix B, Model 1).

<sup>20</sup> Jeremy Hsu, *Solar Power’s Benefits Don’t Shine Equally on Everyone*, *Scientific American* (April 4, 2019), <https://www.scientificamerican.com/article/solar-powers-benefits-dont-shine-equally-on-everyone/>; Emma Foehringer Merchant, *Report Finds Wide Racial and Ethnic Disparities in Rooftop Solar Installations*, *Green Tech Media* (Jan. 14, 2019), <https://www.greentechmedia.com/articles/read/report-finds-wide-racial-and-ethnic-disparities-in-rooftop-solar>.

<sup>21</sup> Scott Hardman et al., *A perspective on equity in the transition to electric vehicles*, *Science Policy Review* (Aug. 30, 2021), <https://sciencepolicyreview.org/2021/08/equity-transition-electric-vehicles/> (“The majority of PEV buyers are high-income, home-owning, highly educated, predominantly white households.”).

<sup>22</sup> *Id.*

<sup>23</sup> Greenlining, *Electric Vehicles For All: An Equity Toolkit* (Aug. 3, 2016), <https://greenlining.org/resources/electric-vehicles-for-all/#tab3-section2>. (“Low-income individuals tend to lack credit or have bad credit, raising a barrier to good vehicle financing and leading to lower vehicle ownership rates. Poor credit or no credit means higher interest rates and high monthly payments that may be impossible for those living paycheck to paycheck. As a result, low-income consumers need credit enhancement to make loan options practical and accessible.”)

<sup>24</sup> Alexander Butler, Erik Mayer, and James Weston, *Racial Discrimination in the Auto Loan Market*, Federal Reserve Bank of Philadelphia (July 15, 2021), [https://www.philadelphiafed.org/-/media/frbp/assets/events/2021/consumer-finance/fourth-biennial-conference-on-autolending/mayer\\_slides\\_20210715\\_philfedautoconf.pdf](https://www.philadelphiafed.org/-/media/frbp/assets/events/2021/consumer-finance/fourth-biennial-conference-on-autolending/mayer_slides_20210715_philfedautoconf.pdf); Alexander Butler, Erik Mayer, and James Weston, *Discrimination in the Auto Loan Market*, FDIC (June 25, 2019), **Error! Hyperlink reference not valid.** <https://www.fdic.gov/news/events/consumersymposium/2019/documents/papers/mayer-paper.pdf>; see also NCLC, *Racial Disparities in Auto Loan Markups State-by-State Data* (June 2015), [https://www.nclc.org/images/pdf/car\\_sales/ib-auto-dealers-racial\\_disparites.pdf](https://www.nclc.org/images/pdf/car_sales/ib-auto-dealers-racial_disparites.pdf).



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## **The Time for SPCPs Has Come**

Addressing these persistent disparities and inequalities requires policies and programs that are explicitly tailored to bring opportunities to those who deserve but do not have them.<sup>25</sup> We agree with the increasing consensus of regulators, experts, and advocates that SPCPs are a significant and underutilized tool that should be leveraged to address historic and continuing systemic racism.

Clean Energy CU is a federally chartered credit union, not-for-profit 501(c)(1), and financial services cooperative that is democratically owned and governed by its members. We are also designated as a low-income credit union by the National Credit Union Administration (NCUA).<sup>26</sup> We're the only credit union that is focused solely on clean energy lending and environmental stewardship: every dollar deposited earns interest while being used to help our customers finance a clean energy product or service via clean energy loan terms that are among the best available in the market. Our SPCP is tailored with an eye towards enhancing the affordability of and improving access to our products for BIPOC borrowers, keeping in mind the unique role that clean energy financing can have in combating environmental disparities. We designed the program with help from our outside legal counsel at Relman Colfax PLLC, launched the program as a pilot, and are monitoring its success with an eye towards ensuring it is effective and appropriately administered. Offering an SPCP is an important step we can take to further our mission, while at the same time addressing racial equity and environmental justice. We hope other creditors consider this valuable tool as well.

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<sup>25</sup> Lisa Rice, *Using Special Purpose Credit Programs to Expand Equality*, Nat'l Fair Hous. Alliance (Nov. 4, 2020), <https://nationalfairhousing.org/using-spcps-blog/>; Andre M. Perry and David Harshbarger, *America's Formerly Redlined Neighborhoods Have Changed, and so Must Solutions to Rectify Them*, Brookings (Oct. 14, 2019), <https://www.brookings.edu/research/americas-formerly-redlines-areas-changed-so-must-solutions/>.

<sup>26</sup> See Nat'l Credit Union Admin., *Low-Income Designation* (last visited Dec. 16, 2021), <https://www.ncua.gov/support-services/credit-union-resources-expansion/field-membership-expansion/low-income-designation>.