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

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.¹

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.² 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.

² 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.
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. 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. To encourage the adoption of these programs, federal regulators have published enhanced regulatory guidance on the legality and design of SPCPs. 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.

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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3 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.


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.7 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.8 Especially as evidenced in the work of the Home Owners’ Loan Corporation (HOLC),9 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.10 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.11

The impact of redlining (historical and current) is not only economic; a variety of disparities, including disparities in health, environmental quality, and access to energy-efficient technology 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. 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.” 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.”

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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15 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.)


17 Daniel Cusick, supra note 13.
for minority homeowners and decreasing disparate environmental health hazards. 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. 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.

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, there are significant disparities in electric vehicle ownership on racial grounds. These disparities exist against a backdrop of disparities in auto lending generally for minority and low-income consumers. Overall, minority auto loan applicants face lower approval rates and higher interest rates than comparable white borrowers.

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18 Drehobl, Ross, and Ayala, supra note 14 at 30.
19 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).
22 Id.
23 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.”)
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. 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). 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.
