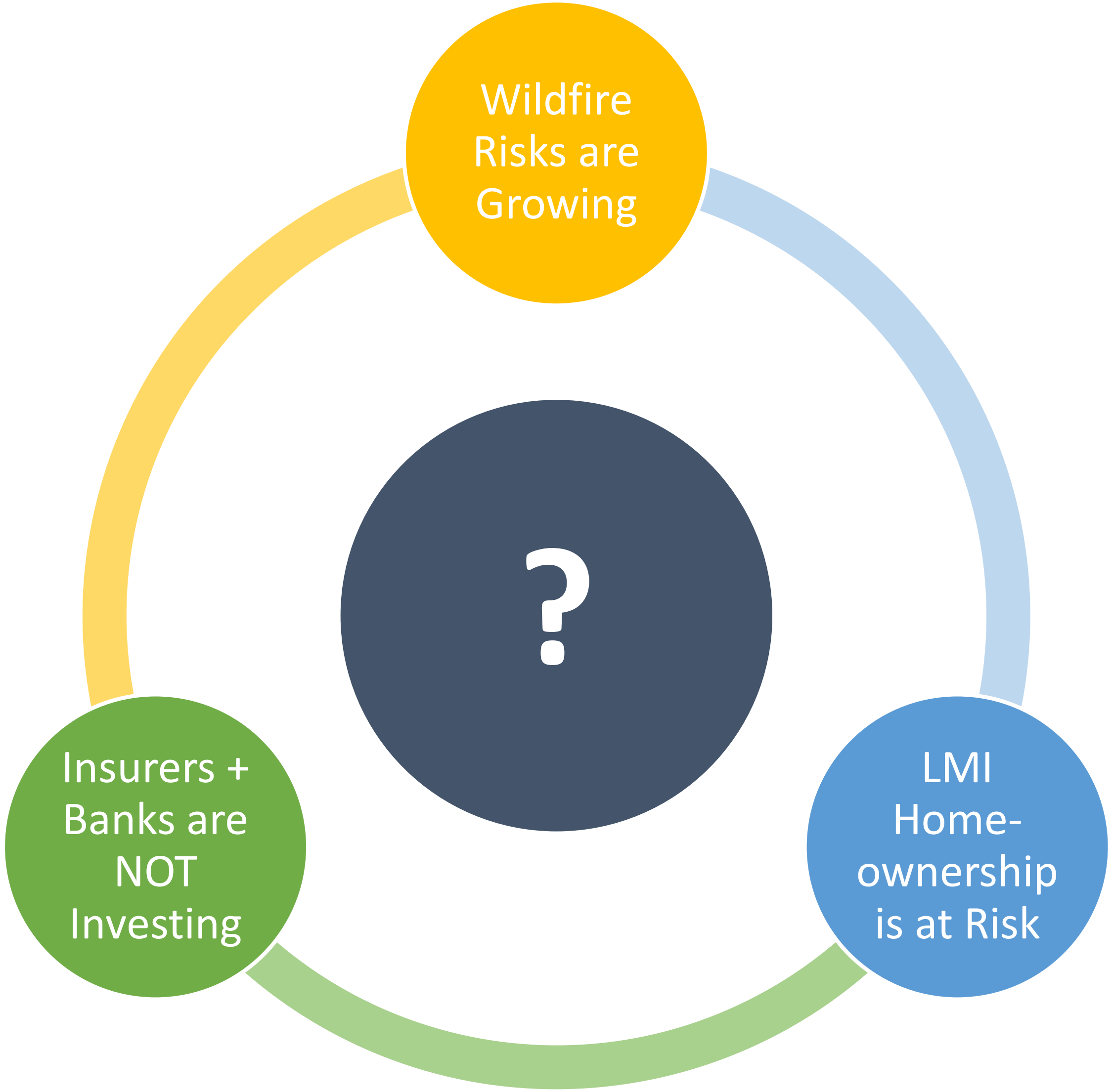
Financing Climate Resilience

A Scalable Model for Home Hardening

Jesse Ibarra, Chief Business Officer, NPHS

Ryan Sears, Policy and Advocacy Lead, NPHS

Why We’re Here



The Problem

A lack of affordability in relatively insulated urban cores is forcing Californians to push further into wildlands and FHSZs to find affordable housing/homeownership

Growing losses from wildfires are putting pressure on insurers to be more selective in their underwriting, often pushing Californians onto the FAIR Plan

Recent remedies as part of Insurance Commissioner Lara's Sustainable Insurance Strategy incentivize better behavior from insurers, but has yet to stimulate widespread investment in home hardening

70%+ of insurance non-renewals in high-risk fire areas are in Low-to-Moderate Income (LMI) zip codes

Very few financing options exist for home hardening – while grant programs help, they are hard to scale.

A Potential Solution: NPHS Resilience Loans

- Resilience NOW
  - Immediate assistance up to $5,000 for homeowners facing notices from insurers
- Resilience
  - Up to $50,000 for long-term retrofits to achieve IBHS Wildfire Prepared Designation
- Resilience Rebuild
  - Potential loan product to fill the gap in financing between rebuilding and rebuilding with resilience (meeting IBHS Designation)

The Capital Gap

- Traditional Lenders
  - Lack of Initiative, Mission
  - No Clear Secondary Market for “Riskier” Loans
- Community Development Financial Institutions (CDFI)
  - Mission to Serve Under-Capitalized, Low-to-Moderate Income Communities
  - Play Critical Role in Allocating Capital to Buildout Climate Resiliency
- State Subsidies
  - State Support = Adds Legitimacy to Mission
  - State Funding = Provides Catalyst for Expansion at Increased Pace & Scale
  - State Secondary Market Creation = Exponential Loan Growth Factor

The Opportunity

- CWMPA: Grant program for wildfire home hardening
- NPHS & other CDFIs: Flexible Resilience Loan products
- Homeowners: Need affordable financing beyond grant limits
- Private Capital: Looking for de-risked, high-impact investments

How the Partnership Works:

- CWMPA provides grants to lower borrower cost
- CDFIs (NPHS, peers) originate Resilience Loans
- Grants act as subsidy or loan loss reserve
- Private/impact capital leverages CDFI infrastructure
- Homeowners access simple 'Grant + Loan' package

How NPHS Would Deploy Capital

- Aggregate CDFIs to deploy capital with a standardized loan product
  - Utilize bonds, SPVs, or alternative financing methods to boost loan capital
  - Utilize existing mechanisms like COIN to create a secondary marketplace to boost liquidity in lending
- Direct lending to LMI Homeowners – Resilience Loans
  - Fire-safe retrofits: roofing, vents, defensible space
- Embedded technical assistance + partnerships with IBHS, local fire councils, etc.
- Cooperation with hyperlocal, local, and regional governments to promote home hardening

Benefits of Collaboration

- More homes hardened with same grant dollars
- Sustainable financing as loans recycle
- Equity: Low- and moderate-income homeowners served
- Leverages private/impact investors for scale
- Creates a replicable state & national model

Why it Works

- Proven CDFI Infrastructure
- Investor-friendly returns
- Immediate benefit to vulnerable households
- Scalability – signals to market-rate lenders that home hardening loans should be something they offer more proactively
- Building resilience as widely as possible helps ensure equitable wealth preservation across all homeowners
- More hardening = a stronger and more stable insurance market

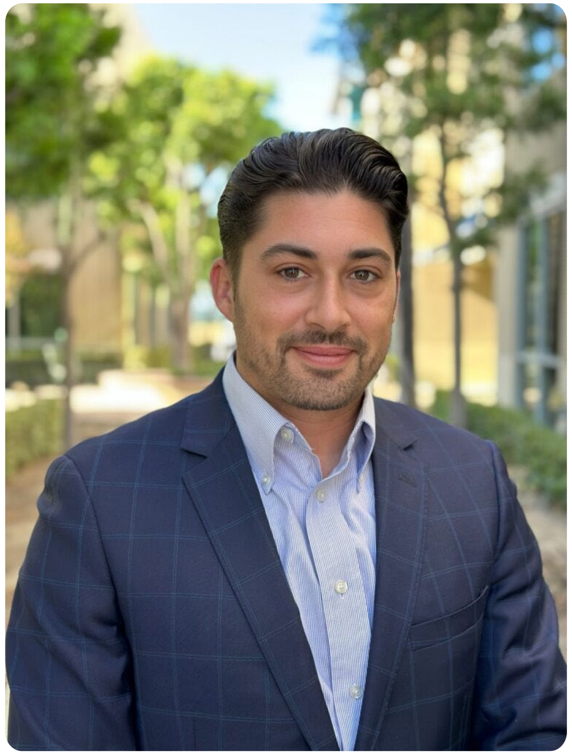
Next Steps

Use CWMPA to fund a demonstration project with NPHS

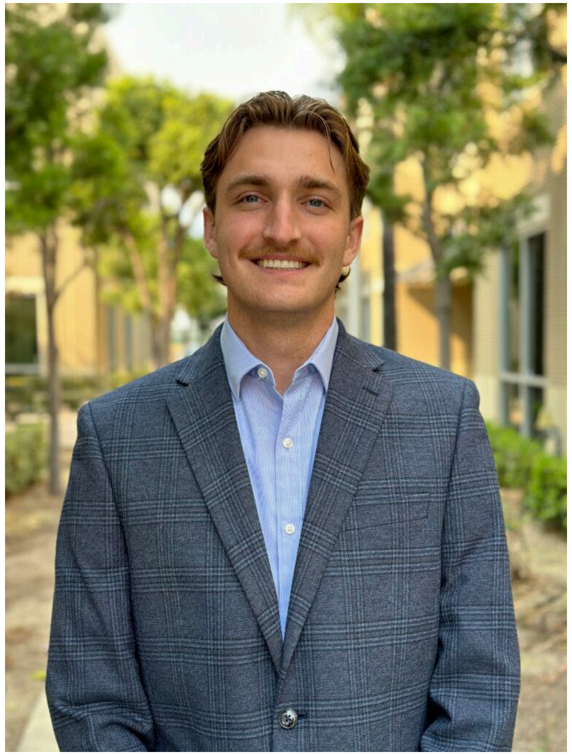
- Launch pilot program (e.g., 100 homes) and/or deploy Resilience loans to LMI communities in FHSZs in the Inland Empire
- Blend CWMPA grants + NPHS Resilience Loans
- Explore loan loss reserve to unlock private capital
- Evaluate & scale statewide with CDFI partners

Consider scaling based on loan performance + insurance outcomes

Questions?



Jesse Ibarra
Chief Business Officer
jesse@nphsinc.org
(562) 879-3899



Ryan Sears
Policy and Advocacy Lead
ryan@nphsinc.org
(909) 360-3967