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Consumer Finance for Climate Action

Landscape Analysis: Opportunities, Challenges and Pathways Forward

/ inclusiv / | SaverLife

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Introduction

The financial impacts of the climate crisis are increasingly understood to be both an existential threat and a daily reality. Because the problem is so large and systemic, climate solutions are primarily focused on large-scale infrastructure projects and major industry shifts. And yet, climate change also poses significant risks at the household level, especially for low- and moderate- income households, for whom it both exacerbates existing vulnerabilities and creates new challenges. In particular, Black, Indigenous, Latino, immigrant and other communities of color are disproportionately impacted as they face historic and current inequities that make them both more vulnerable to and with fewer resources to prepare and respond to climate change.

Landscape methodology

This landscape analysis is based on a review of research and interviews with 38 experts and stakeholders at 30 organizations,[3] working across sectors and geographic regions. They included people working in:

- Climate justice, equity and advocacy
- Climate philanthropy
- Credit unions and green lending
- Data and research
- Disaster relief
- Financial health
- Government
- Clean energy transition
- Housing and community development
- Messaging and communications

Consumer Finance for Climate Action (CFCA) was launched in the late spring of 2024 by Inclusiv and Saverlife, with support from JPMorganChase[1] The goal of CFCA is to identify practical solutions for low-income households that respond to the challenges presented by climate change while staying true to the goals of the Community Development Credit Union (CDCU) and financial health sectors[2] to build short-term economic security and long-term wealth for low-income households. Climate change is a threat to both goals and the financial strains caused by climate change risk derailing the progress that the field has made to date. Directly addressing the financial challenges created by climate change – and working collaboratively with climate justice, grassroots, and cross-sector partners – can help advance market-based clean energy solutions and build a more equitable and resilient future.

[1] *The views and opinions expressed in the report are those of the authors and do not necessarily reflect the views and opinions of JPMorganChase or its affiliates.*

[2] *This landscape analysis uses "CDCU" and "financial health" as shorthand for the range of organizations that work directly with low-income households to offer financial services such as savings and checking accounts; loans and other financing; help with budgeting, debt and asset building; or other financial management tools and support. In addition the term "low-income households" is used to refer to the target audience for CFCA, including those with low and moderate incomes as well as those with few savings or assets, and with a focus on Black, Indigenous, immigrant and other households of color.*

[3] *A full list of those interviewed for this landscape analysis can be found in the Appendix to this report.*

What We Know: The Impacts of Climate Change on Household Finances

Climate change is accelerating and increasingly impacting communities: As documented in the Fifth National Climate Assessment, climate change is accelerating at an alarming rate and is projected to intensify significantly over the coming decades. By 2050, more than 100 coastal communities in the U.S. are expected to experience chronic high-tide flooding for a month or more per year. And by 2070, more than 100 million Americans could be exposed to life-threatening extreme heat events lasting a week or more. These impacts represent an outsized threat to Black, Indigenous, Latino, immigrant and other communities of color. A long history of discriminatory housing, finance and environmental policies has concentrated these communities in areas that are more prone to the impacts of climate change, such as flood zones, industrial corridors, rural communities and urban heat islands.

Low-income households are increasingly feeling the financial effects of climate change: Climate change is emerging as a significant threat to the financial health of U.S. households, with low-income households and households of color especially at risk. In SaverLife's The Downpour research, 58% of survey respondents expressed concern about severe weather events or disasters where they live. These households have fewer financial resources to prepare for, withstand, and recover from climate events: one in five report income loss as a result of weather events, and one in four have fallen behind on bills. TEPRI's 2024 Community Voices in Energy Survey found that 40% of respondents report that their energy bills are unaffordable, and half struggle to meet their energy expenses most months. Unreliability of energy is also a problem, with 87% expressing concern about weather-related events resulting in power outages.

Low-income households also experience other chronic financial effects of climate change, including:

- Lost earnings and benefits due to business closures or reduced working hours.
- Falling behind on rent, bills and loan payments
- Price increases due to supply chain disruptions.
- Disruptions to childcare, often leading to increased costs or lost work hours.
- Increased transportation costs and reduced availability.
- Challenges with healthcare access and increased healthcare expenses
- Rising costs – and decreasing availability of – homeowners and renters insurance.
- More frequent need to repair or replace household items.

Low-income households are interested in climate mitigation and resilience solutions, yet face barriers to action: SaverLife's research found that the majority of survey respondents are interested in taking actions such as home weatherization, setting aside savings, stockpiling supplies, or purchasing a backup generator or home battery. Yet only 11% say they can afford all the costs associated with preparing for a severe weather event or disaster, and 54% say they can afford none or just a few of the costs.

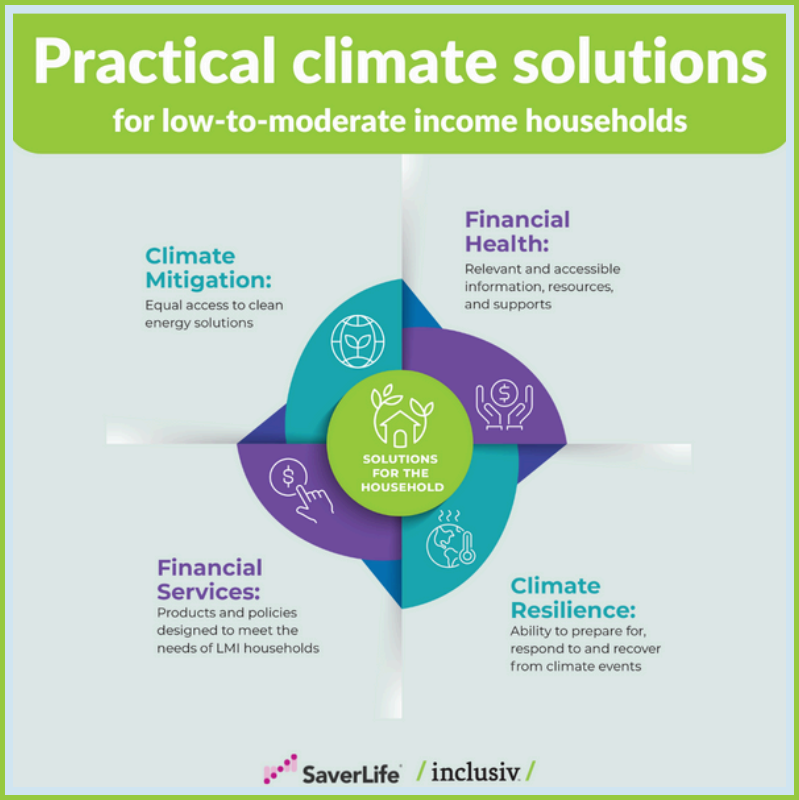
Different geographies present distinct challenges and require flexible approaches: Solutions need to be customized for different geographies. For example, a loan for home upgrades may be fundamentally the same in California as in Florida, but the product's design, eligibility, and marketing might need to be tailored to fire-resistant home materials in the first case and flood mitigation in the second. Similarly, coastal communities in the Southeast might prioritize evacuation assistance while those in the Southwest might focus more on cooling options. Differences in energy markets and energy grids, as well as differences in eligibility and benefits across state and local subsidies and programs, also affect both the way that climate impacts play out across geographies and what effective climate solutions will look like.

CDCUs and financial health providers are already actively engaged in climate mitigation and resilience efforts: In recognition that financial health is climate resilience, financial health organizations are already taking the lead on a range of interventions to address both the chronic and acute financial impacts of climate change. CDCUs are offering loans and financial products tailored to support energy efficiency upgrades, renewable energy installations and other climate resilience measures. Assisting low-income households with budgeting, credit building and emergency savings helps provide financial stability in the face of rising costs and increasing expense and income shocks. CDCUs and financial health providers are also playing a role in outreach, leveraging their deep community relationships and trusted status to serve as intermediaries for government programs and helping to connect eligible households with subsidies and rebates for climate investments.

Priorities and gaps to be addressed

The interviews conducted as part of this research provide a deep and wide perspective of the challenges and opportunities for supporting low-income households in the face of climate change. Those interviewed were asked to identify priority areas of need that might be addressed within the CFCA framework. While interviewees represent a variety of geographies and sectors and have varied opinions on priorities and solutions, they converged on several key points.

When asked to reflect on the CFCA Venn diagram, those interviewed could easily understand CFCA's focus and agreed with the basic thinking behind it, particularly the intersectional approach, noting the importance of addressing both mitigation and resilience and/or both financial products and health. All of those interviewed were also able to see their own work reflected in the Venn diagram yet many of those interviewed worked in only two of the circles: one of the climate-focused circles and one of the finance-focused circles. Many also noted that they use – or aim to use – partnerships and referrals to reach more aspects of the Venn.



Respondents overwhelmingly identified helping consumers navigate the complicated process of implementing solutions as the highest priority in helping low-income households financially prepare for and respond to climate change and participate in the clean energy transition.

Those interviewed provided detailed stories and descriptions of the complexities associated with every step of the process to implement climate resilience and mitigation solutions, from determining what action to take; to financing and purchasing equipment; hiring and managing contractors;

applying for rebates and disaster relief; to maintaining changes and realizing their benefits. This level of complexity holds true across climate-related activities, from installing clean energy upgrades to dealing with rising utility costs and preparing for and recovering from a climate disaster. This complexity is exacerbated by the increasing presence of unscrupulous providers targeting the same low-income households.

While navigating complexity was the top priority, those interviewed also highlighted:

- Existing products are not accessible to all low-income households (especially renters) and generally do not do enough to reduce costs to zero, making them less useful and attractive. Additional financial products could also help with smaller-dollar and emergency needs.
- Take-up of existing products is often low for various reasons, including a lack of trusted messengers, complicated eligibility or application requirements, up-front costs, and prioritization of immediate needs.
- Low-income households are challenged to know where to start, given the complexity of the problem and solutions, limited resources, competing financial priorities, and climate-related trauma.

Additional considerations

Finally, those interviewed named some climate-related challenges that create financial disruption or provide economic opportunity that may be beyond the immediate scope of CFCA, but which might be considered. These include:

- The need for good jobs, and opportunities for low-income people to get training for green jobs.
- Transportation challenges, especially climate-caused disruptions to public transit.
- Needs specific to small businesses and landlords, especially mom-and-pop landlords.
- Mental health issues stemming from chronic climate insecurity and repeated disasters.
- Relocation assistance for those for whom climate risks make that the best option.

Assets and opportunities

Despite the urgent challenges, those interviewed expressed optimism about helping low-income households navigate the financial impacts of climate change. They noted several opportunities that can be leveraged in this effort, including:

- Federal and state incentives, including Inflation Reduction Act (IRA) tax credits and rebates, Solar for All, utility-based programs and weatherization assistance.
- Expansion of green lending and other programs tailored for low-income households, including through the Greenhouse Gas Reduction Fund (GGRF).
- Availability of online resources, including risk assessment tools and energy-savings calculators.
- Increasing public concern about climate change and increasing demand among low-income households for solutions to high energy costs and household energy independence.
- Ability to partner with local community-based organizations with established trust, from faith-based organizations to grassroots environmental justice groups.
- Increasing knowledge among local contractors, retailers, and service providers about climate mitigation and resilience solutions, including rebates and subsidies.
- The growing model of Community Resilience Hubs offering year-round, centralized access to information, resources and support.
- Expansion of community solar and other shared clean energy infrastructure that can reduce energy costs and help with climate mitigation and resilience at the household and community levels.

Threats on the horizon

There was broad agreement among participants on the most serious threats that are worsening the financial impacts of climate change and hindering the successful implementation of climate mitigation and resilience solutions. Interviewees most commonly identified these threats:

- Increasing utility costs, along with increased instability of local energy grids.
- Differences across energy grids and markets that make some solutions less relevant in different geographies.
- Instability and gaps in insurance availability, as insurers raise rates or leave the market.

- Loss of long-term assets if property values decline, property is destroyed, or savings set aside for long-term goals, like retirement or college, are diverted to cover the costs of climate mitigation and resilience.
- Lack of a coordinated response to cumulative, chronic climate-related stressors, that can have similar harmful financial effects as weather-related disasters but are not recognized as such.
- Vulnerability of immigrant households, including limited access to government support and fear of accessing available solutions.
- Risks of displacement following climate events, or gentrification if climate adaptation measures raise property values and rents.
- Political polarization and potential changes to – or elimination of – federal programs and subsidies due to political shifts or macroeconomic changes.
- General skepticism about climate solutions, especially regarding promised cost savings, combined with false or misleading information.
- The increasing presence of predatory actors targeting low-income households, leading to fear, confusion and financial losses.
- Limited capacity by CDCUs, financial health providers and other community organizations to address their own climate needs.

Core Principles and Continuous Learning

Flexibility, real-time evaluation and continuous improvement can help ensure that CFCA is both impactful and sustainable. As we move forward, it will be useful to keep in mind a few core principles that were consistent across the research and interviews:

- Solutions should meet low-income households where they are by responding to their identified needs and priorities. Solutions should also be as simple as possible, both for low-income households and the staff implementing them.
- The more personalized guidance and support provided to low-income households, the more likely they are to successfully adopt climate mitigation and resilience solutions.
- Financial support should be available as grants rather than loans, upfront costs should be eliminated, and households should realize immediate savings.
- Low-income households need assistance with both larger projects, such as energy upgrades or rebuilding after a disaster, and smaller ones, such as covering emergency expenses from a power outage or missed days of work.

- Households are motivated by more than just money, especially the ability to manage stress and avoid disruptions.
- Trusted messengers are critical, and the best marketing is a neighbor or trusted source who has successfully implemented a given solution.

Potential pathways for CFCA

Based on the research and interviews, these potential pathways forward highlight practical solutions that address both climate mitigation and resilience. They balance two primary considerations: the potential impact on low-income households and the feasibility of implementation. While ambitious and complex, they fit reasonably within the bounds of what CDCUs and financial health providers can do and will directly benefit low-income households.

These pathways are overlapping and not mutually exclusive but do represent alternative priorities and approaches for achieving CFCA's goals. Each is designed to provide solutions that can help a wide variety of low-income households. Still, implementation will need to consider local history and culture, demographics, needs for households with disabilities, and other issues specific to a given community. Adapting solutions for local needs will be facilitated by the fact that CDCUs and financial health providers are already working in underserved communities and have experience meeting the needs of diverse households.

Pathway One: Maximize clean energy incentives and opportunities for low-income homeowners.

As noted by those interviewed, existing subsidies and incentives most often target homeowners – making this where the greatest opportunity lies. Yet low-income homeowners have significantly less opportunity than higher-income homeowners to take up available benefits due to up-front costs, complicated eligibility and application processes, competing financial priorities and risk aversion. By leveraging existing incentives, this pathway can provide immediate cost savings on energy bills while simultaneously increasing home values and reducing long-term risks from extreme weather. By targeting "low-hanging fruit" where generous credits and rebates are available and intentional marketing, outreach and support can make a meaningful difference, it promises to deliver substantial benefits to homeowners and communities.

Activities to support this pathway could include:

- Marketing weatherization and energy-efficient home upgrades to homeowners and facilitating applications for available rebates and tax credits.
- Expanding green loans, including small-dollar loans for lower-cost improvements.
- Creating partnerships with vetted contractors and retailers to ensure homeowners get quality services and install products that are eligible for rebates.
- Integrating climate considerations into mortgage counseling and lending.
- Providing home assessments to assess risk and identify priority actions.

Pathway two: Develop solutions for low-income renters

A glaring need highlighted by interviewees is the lack of solutions for low-income renters, who face great financial vulnerability in the face of climate change but for whom fewer options currently exist. Solutions would prioritize building preparedness and resilience and increasing emergency savings while emphasizing “portable” solutions that renters can implement and even take with them if they move. If renters pay utility bills, they could also benefit from energy-efficient appliances, electric vehicles and charging and storage capability, or other energy-efficiency improvements.

Activities to support this pathway could include:

- Conducting energy audits for renters and advising renters on climate mitigation and resilience measures, where applicable, such as:
  - Portable air conditioning units, fans, air purifiers and dehumidifiers.
  - Practical, low-cost solutions, like window coverings to keep rooms cool.
  - Energy star appliances, such as refrigerators or washer-dryers.
  - Temporary weatherization options, such as removable insulation.
  - Electric vehicles, including e-bikes and other alternatives.
- Developing and marketing affordable green loan products that help renters access the types of improvements described above.
- Assisting with disaster planning, especially recognizing that renters might need to relocate following a disaster.
- Promoting neighborhood-level solutions such as dynamic pricing and community solar.

Pathway three: Help households reduce and manage energy costs and reliability

The most common immediate need cited by interviewees is budgetary stress from increased utility bills. Addressing energy costs can save households money in the short term while also creating an entry point for future climate mitigation and resilience activities. Rising utility costs also affect other critical issues, from housing security (when high utility bills result in missed rent payments) to health (when air conditioning is not used in heat waves to save money). And related to rising energy costs is a growing interest in household-level energy independence, as low-income households (especially those in rural communities) face more frequent and costly power outages.

Activities to support this pathway could include:

- Conducting energy audits to help households understand their energy usage and identify ways to reduce utility costs.
- Developing a menu of energy-saving actions, focused on those that are low-cost and can result in immediate savings.
- Helping households adopt upgrades to reduce heating and cooling costs, and apply for rebates, tax credits and other incentives.
- Helping households access utility bill assistance, weatherization programs, community solar initiatives and other energy-related support.
- Assistance with and financing for household energy independence, including backup generators and battery storage.

Pathway four: Fully integrate climate resilience and mitigation into staff roles and program operations

Building the capacity of CDCUs and financial health providers to integrate climate mitigation and resilience into their everyday work with low-income households will make their services more comprehensive, relevant and effective. Given that climate change is impacting every aspect of households' financial lives, this pathway reflects a critical re-envisioning of what financial health now entails. It also acknowledges the reality that CDCUs and financial health providers are already increasingly helping low-income households deal with climate-related emergency needs, often with little training or budgetary support. Best practices could also be broadly shared, potentially influencing private sector companies to implement these strategies.

Activities to support this pathway could include:

- Developing and maintaining a “toolkit” of core training, financial products, tools and supports to help frontline staff assist low-income households with climate mitigation and resilience efforts.
- Expanding staff roles and program operations to incorporate:
  - Climate risk assessments
  - Budgeting and emergency savings for climate-related expenses
  - Additional financing options for climate investment and disaster relief
  - Climate considerations for long-term financial planning
  - Energy-saving strategies and energy-efficient home improvements
  - Disaster preparedness and post-disaster recovery
  - Partnerships with local organizations, contractors and retailers
- Leveraging emerging technologies, such as online tools and software powered by artificial intelligence, to reduce complexity, increase efficiency and maximize impact for staff and clients.
- Building partnerships and cross-training with local and national organizations providing climate-related assistance.

By far the most common priority named in the interviews was the need for comprehensive and customized support to households as they navigate climate mitigation and resilience. The creation of a “climate navigator” role within CDCUs and financial health organizations could provide one-on-one guidance through every stage of a particular process, from identifying household needs to obtaining financing to managing contractors to submitting applications for rebates and credits. Establishing national standards for training and certification, creating a navigator peer network, and developing shared tools for tracking progress and outcomes would support this new approach.

The Need For Collaborative Action on Policy Advocacy

CFCA is intended to address practical solutions for low-income households delivered through the financial services and financial health sectors. However, it is important to acknowledge that individual action – even when supported by tax credits and rebates – will never be sufficient to meet the financial challenges of climate change. Furthermore, focusing on individual needs and actions runs the risk of accepting that the burden of climate change is the responsibility of the individuals impacted. And it is not, especially because climate impacts disproportionately fall on already vulnerable communities. For that reason, policy advocacy is an essential component of any pathway forward. The lessons learned from the work of CFCA, together with the voices and experience of grassroots and cross-sector partners, will provide a powerful platform for advancing policy and regulatory change – one that is directly informed by the needs and experiences of low-income households.

An actionable policy agenda might include:.

- Expanding programs and funding that are specifically designed to address the financial impacts of climate change on low-income households, including program design and administration.
- Expanding subsidies, incentives, mandates and consumer protections around finance-focused climate solutions, making climate-related tax credits refundable and transferable, and allowing households to receive the benefits of tax credits and rebates upfront.
- Accelerating emergency payments in the immediate aftermath of climate crises and providing more direct cash assistance rather than loans or reimbursement.
- Creating safety net solutions for the chronic financial hardships caused by climate change, such as income loss or expense shocks due to power outages and job loss due to health concerns caused by climate change.
- Addressing gaps in the insurance marketplace, especially for low-income homeowners and renters, including public insurance, as more places are becoming uninsurable.
- Working with tenants' rights and advocacy groups to push for climate policies and regulations that help and protect renters.
- Supporting the development of green jobs and job training programs for low-income communities.

Conclusion

This landscape analysis provides an overview of climate-related needs and opportunities, specifically focused on how climate change is impacting the financial lives of low-income households in communities across the U.S. It summarizes relevant research and, especially, the thinking of experts and stakeholders from across the CDCU, financial health and other related sectors. Based on this research, the analysis offers four potential “pathways” that might be pursued in developing the CFCA initiative. The next steps for CFCA planning involve convening partners and stakeholders to identify priority pathways and developing an implementation plan. To follow updates from CFCA please sign up for our email list.

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Please reach out to Megan Bolado, Director of Financial Empowerment at Inclusiv for questions or interest in learning more:mbolado@inclusiv.org

Appendix A: List of Experts and Stakeholders Interviewed

1. Lee Anne Adams, Senior Vice President, National Initiatives, and Laurie O'Brien, Senior Director of Lending, NeighborWorks
2. Coral Abbott, Program Manager, Invest in Our Future
3. Jillian Blanchard, Director, Climate Change and Environmental Justice Program, Lawyers for Good Government
4. Constance Boozer, Senior Advisor, Home Energy Rebates, U.S. Department of Energy
5. Alicia Brown, Director, Georgia BRIGHT, Capital Good Fund
6. Kate Bulger, Vice President of Business Development, Money Management International (MMI)
7. Juanita Constible, Senior Advocate, Environmental Health, Natural Resources Defense Council (NRDC)
8. Dontá Council, Advisor, Community and Economic Development (CED) team, Federal Reserve Bank of Atlanta
9. Laura D'Alessandro, Director of Financial Health, Local Initiatives Support Corporation (LISC)
10. Anne Evens, Chief Executive Officer, Elevate
11. Eric Hangen, Faculty, Center for Impact Finance, Carsey School of Public Policy, University of New Hampshire
12. Sean Kasofsky, Owner, The Nonprofit Fixer
13. Claire Kramer, Assistant Vice President and Director of Community Development, Federal Reserve Bank of New York
14. Jamal Lewis, Director, Implementation Learning & Integration, Katy Hill, Director of Education, and Tom Mercer, Vice President, Product, Rewiring America
15. Cathie Mahon, President and CEO, and Hannah Kramer, Director, Center for Resiliency and Clean Energy, Inclusiv
16. Leigh Meunier, Project Coordinator, Communities Responding to Extreme Weather (CREW)
17. Terri Mickelsen, Chief Executive Officer, Clean Energy CU
18. Ronald Newman, Senior Advisor, Inflation Reduction Act, U.S. Department of the Treasury
19. Adedoyin Olateru-Olagbegi, Chief of Staff, Eli Technologies
20. Meghan Pazik, Policy Director, Climate Mayors
21. Leigh Phillips, President and CEO, SaverLife
22. Robin Romano, Chief Executive Officer, MariSol Federal Credit Union
23. Diane Sandoval-Griego, Executive Vice President/Chief of Financial Empowerment, Guadalupe Credit Union
24. Maria Claudia Schubert-Fontes, Climate Justice Policy Manager, Catalyst Miami
25. Ed Sivak, Executive Vice President of Policy and Communications, and Tyler Archie, Vice President, Strategic Initiatives, Hope Credit Union
26. Rachel Small, Senior Vice President of Government Partnerships, Marcus Coleman, Vice President of Community Resilience Strategy, and Anna Hasselblad, Director of Community Resilience, United Way Worldwide
27. John Thompson, Financial Services Vice President, Products, and Melissa Almuttar, Director of engagement & Servicing, H&R Block
28. Margo Weisz, Executive Director, Texas Energy Poverty Research Institute (TEPRI)
29. Anonymous
30. Anonymous