



Tariffed On-Bill Financing Poses Significant Risks for Low-Income Consumers

March 2026

Summary

As energy costs continually rise, many families struggle to keep their lights on and indoor temperatures at safe, healthy levels. Utility companies exist to provide energy service to customers, and there are existing programs and rules designed to help low-income families maintain this vital service. Some states have continued to improve on utility affordability and consumer protection policies, but in other states, certain proposals that could have the unintended consequence of worsening energy affordability have been proposed. This brief will address consumer protection concerns with Inclusive Utility Investment (IUI)/Tariffed On-Bill Financing/Pay As You Save® (PAYS®) (referred to collectively as “TOB”), particularly the dangers of these loans for low-income consumers. It also recommends important state-specific considerations, guardrails, and safer alternatives. Although this brief focuses on protections for low-income residential customers, many of the recommended consumer protections should be available for all residential customers participating in tariffed on-bill financing programs.¹

Key Points

- Tariffed on-bill financing products are loans by another name but lack the protections required for traditional installment debt.
- Tariffed on-bill financing products do not have sufficient built-in consumer protections, despite proponents’ claims.
- Tariffed on-bill financing products may increase energy bills, exacerbating financial instability among cash-strapped households.
- Low-income tenants and homeowners who use tariffed on-bill financing products face increased risks of deceptive marketing, utility service disconnection, and more.
- Marketing tariffed on-bill financing products to low-income families may hinder support for and access to broader zero-cost programs that are better suited for the needs of low-income households.
- Policymakers and advocates must recognize tariffed on-bill financing products as loans, shield low-income consumers from these products by prioritizing zero-and-low-cost programs, and build in significant protections to reduce tariffed on-bill financing risks for low-income consumers.

A Glance at the Energy Affordability Crisis

More than a quarter of households struggle to meet their energy needs.² These households frequently face the risk of having their utility service terminated.³ According to recent polling, 4 out of 5 households that expressed concern about rising utility bills feel powerless over the costs, and 2 out of 3 reported that utility bills are a source of financial stress.⁴ Low-income families, in particular, spend a substantial portion of their income on electricity and heating. The average low-income household spends around 14% of their annual income on energy bills, compared to 3% for higher income households.⁵ Because of high energy costs, low-income families often sacrifice spending on other important needs, including groceries, childcare, and medicine, or reduce their energy usage in ways that make their homes uncomfortable and harm their health.

Renewable energy and energy efficiency technologies provide opportunities to reduce energy bills and broaden access to clean energy, but affordability is particularly challenging for low-income customers.⁶ The equitable distribution of these technologies helps mitigate energy poverty and climate change impacts. As a result, some clean energy advocates support on-bill financing loans,⁷ which they claim increases access to these technologies. But unlike long-standing zero-cost public programs,⁸ on-bill financing loans can cause financial harm when not designed specifically to protect the interests and financial well-being of low-income households.

What is Tariffed On-Bill Financing (TOB)?

Because energy efficiency and renewable improvements are expensive, some clean energy advocates claim on-bill financing loans are a solution for making these improvements more accessible for low-income families. Supporters of on-bill financing also suggest such programs can overcome the “split incentive,” a major barrier to investment in home energy efficiency for renters.⁹ The split incentive arises because tenants have an incentive to reduce their utility bills, but landlords, who own the property but do not live there or pay the utility bills, have little incentive to make energy improvements that can significantly reduce utility bills, such as upgrading central heating and cooling systems and furnaces. Through on-bill financing, customers repay efficiency and renewable upgrades on their utility bills, with the loan tied to the customer (traditional model) or to the home meter (tariff-based model). These loan programs have been implemented by scattered utilities around the country, mostly at rural electric membership cooperatives.¹⁰

Backers of PAYS® (Pay As You Save®), a proprietary tariffed on-bill financing model, claim it helps solve the split incentive problem for renters and promises

Tariffed on-bill financing products are loans made to utility customers, often through third-parties, to pay for home energy-related improvements or equipment projects. Borrowers repay the loan through their utility bill, with nonpayment resulting in the threat of shutoff of essential utility service.

customers bill savings for making energy efficiency improvements. PAYS® purportedly enables interested customers to make those improvements by opting into a tariff that links payment responsibility to the meter. Because PAYS®, like other tariffed on-bill financing, is tied to the meter, the obligation to repay the loan transfers to the new tenant or homeowner in the property. Proponents suggest that TOB financing is accessible for low-income customers because it is not a personal debt the customer assumes, requires no upfront payment or credit checks, and allows customers to enjoy net annual savings that are at least 25% above the charges they pay to participate in the program.¹¹ Utility regulators in a few states have already approved PAYS® tariffs, while some individual utilities in a handful of other states have implemented their own versions of the program.¹² For example, utilities in Arkansas¹³ and North Carolina¹⁴ have implemented TOB programs, and Illinois recently passed a law directing electric utilities to adopt TOB programs.¹⁵

What Are the Risks of Tariffed On-Bill Financing?

On-bill loans for energy improvements pose significant risks to vulnerable customers, and TOB programs like PAYS® are no exception. While these TOB programs claim to have built-in consumer protections,¹⁶ the programs carry many of the same risks of non-tariffed on-bill financing by worsening energy affordability for some low-income customers, increasing the risk of utility service disconnection, and contributing to housing displacement. Advocates at the National Consumer Law Center (NCLC) have identified the following risks associated with TOB loans:

- **A loan by another name.** While proponents claim that tariffed on-bill financing is not a loan and therefore no underwriting, credit check, or ability to pay analysis is necessary, the general format of these programs requires participants to repay the costs of installed energy improvements through a surcharge on their utility bills. Moreover, although TOB debt is tied to the meter and marketed as a utility expense rather than a loan, it operates similarly to other loans that defer payments to future installments. In effect, the utility or administrator of the TOB program acts as a “creditor.”¹⁷ Additionally, tariffed on-bill financing, like any other lending, comes with consequences for late- or non-payment, such as late fees that can increase the size of the debt.¹⁸ Yet standard disclosures, protections, and remedies are not provided because utilities or administrators declare that these products are not loans.
- **No guarantee of savings.** Although TOB loans are often intended to help customers save money (through increased efficiency and thus reduced overall bills), this outcome is not guaranteed. It is possible that some participating low-income households will see higher bills due to underperformance of installed measures, putting them at greater risk of utility service disconnection. Projected savings may not materialize for a variety of reasons¹⁹ and, in one study, about half of the participants did not receive the projected savings.²⁰
- **Reliance on service disconnection.** Most current proposals for TOB loans rely on the threat of service disconnection for non-payment to significantly reduce risks to

capital providers,²¹ while failing to adequately shield consumers from the risk of service disconnection.²² Service disconnection harms occupant health and also renders homes uninhabitable, leads to eviction and displacement, affects credit scores, and impacts employment.²³

- **Burdensome upfront payments or co-pays.** Tariffed on-bill financing programs typically require that the monthly TOB charge must be set so that the amount a consumer pays annually is not more than 80% of the value of the estimated annual savings from the energy project. In theory, consumers would then pocket the remaining 20% of savings over that 12-month period. However, making this “80/20” math work often requires the consumer to pay a substantial upfront lump-sum or co-pay. This co-pay obligation may result in additional consumer debt if the individual finances the co-pay separately (particularly if the consumer relies on a high-cost lending product).
- **Risks fall on the consumer.** Tariffed on-bill financing shifts risks to the consumer. These risks include improper or faulty installation, ongoing maintenance costs, and lack of or insufficient warranties. In the event of occupancy turnover, the TOB obligation to repay remains with the meter rather than with the occupant who incurs the initial obligation, further complicating savings and risk calculations for subsequent occupants, who will likely have different energy usage patterns, and possibly increasing the cost of housing.
- **Potential for predatory and aggressive marketing of PAYS®, rather than utility zero-cost programs.** TOB programs may incentivize predatory marketing²⁴ by contractors, especially when there are utility financial incentives but a lack of rigorous oversight of contractors. For example, the Illinois Climate and Equitable Jobs Act provides for the possibility of shareholder incentives (i.e. increased profits) for promoting PAYS®, which could drive marketing efforts to favor PAYS®-like programs over zero-cost weatherization offerings.²⁵
- **Displacement of free low-income programs.** Tariffed on-bill financing may drain resources from and hinder political support for funding for strong low-income affordability and energy efficiency programs that are already saving consumers hundreds of dollars annually.²⁶ These broader programs, such as the Low Income Home Energy Assistance Program (LIHEAP), the Weatherization Assistance Program (WAP), and state or utility-run zero-cost programs, are better suited for the needs of low-income families. Moreover, TOB loans may incentivize policymakers to deprioritize zero-cost programs, undermining access to these critical low-income programs.

How Can Policymakers Reduce Risks for Low-Income Consumers?

While NCLC recognizes that low-income households need access to energy efficiency and cleaner energy systems, an equitable transition to cleaner energy requires that low-income households receive access to the benefits of new technologies in a way that is specifically tailored to their needs. It also must hold them harmless when forecasted energy savings do not materialize. For all of the reasons discussed above, **tariffed on-bill financing is generally not an appropriate tool for addressing low-income energy affordability and ensuring an equitable transition to clean energy.** For low-income consumers, these measures should be covered by increased funding for and participation in no- or low-cost weatherization and energy efficiency programs. Prioritizing no- or low-cost weatherization and energy efficiency programs, rather than TOB loans, should be a best practice for expanding access to clean energy and lowering energy burden for low-income families.

States with strong existing programs that provide free or low-cost whole-home weatherization and energy efficiency to low-income consumers *should not* adopt TOB financing, since such financing programs risk increasing the energy bills and debt burdens of these customers. Programs in these states should instead focus on braiding and stacking available funding with the goal of providing no-cost assistance to low-income families.

However, we recognize the potential attraction of tariffed on-bill financing in states that have small and underfunded no- or low-cost programs. Without tariffed on-bill financing, low-income households in those states may be unable to access energy efficiency improvements that could reduce their energy burden and improve their home health and safety. **For states with small, severely underfunded zero- or low-cost whole-home weatherization and energy efficiency programs, tariffed on-bill financing should be treated as a last resort²⁷ and a temporary bridge to increasing funding for and participation in zero- or low-cost programs, and then only if the consumer protections detailed in this brief are put in place. States should explore working with local community development financial institutions, credit unions, and other mission-driven lenders to develop very low-interest, affordable, safe small-dollar loan products for equipment replacement.**²⁸

Policy Recommendations

The recommendations below are intended for states that lack strong free or low-cost weatherization and energy efficiency programs, but all states offering TOB loans should incorporate these guardrails to ensure consumer protection. Tariffed on-bill financing products and programs are being proposed in an increasing number of states and, without clear safeguards, they pose significant challenges to consumers' financial and housing stability, while threatening their access to essential utility services. It is imperative that policy-makers, advocates, and other stakeholders reviewing proposals to implement tariffed on-bill financing identify risks for consumers; examine and critique the roles of contractors, vendors and private capital; and implement program protections and controls that ensure and enhance home energy and financial security for all households.

Transparency and Marketing

- **Recognize TOB products as loans.** Tariffed on-bill financing should be treated as lending products, subject to the federal Truth in Lending Act (TILA) and state consumer financial protection laws.
- **Screen low-income customers for zero- or low-cost programs first.** TOB loans should not be marketed under any circumstances to customers who qualify for WAP or other free programs.²⁹ Before enrolling consumers in a TOB program, utilities should screen them to determine eligibility for WAP and other free or low-cost utility-sponsored programs that pay for whole-home energy efficiency upgrades for low-income consumers.³⁰ To protect bill affordability for consumers enrolled in a TOB program, utilities should make sure these consumers are also enrolled in energy affordability programs for which they qualify, such as LIHEAP and state-specific or utility-sponsored discount rates and percentage of income payment plans. This will require some coordination with other utility-sponsored programs and LIHEAP/WAP administrators.
- **Reduce the incentive for predatory marketing.**³¹ Tariffed on-bill financing programs should be administered by entities completely independent of the installation contractors. In no case should the marketing of TOB loans be conducted by contractors or others with a financial interest in maximizing sales. To ensure full transparency, program administrators should provide potential participants with clear and informative disclosure documents that have been subject to consumer testing, translated into the most commonly spoken languages within the utility service territories, and list program information, bill savings expectations, and other relevant information. To promote accountability, utilities should be held responsible for the actions of any third-party implementer hired by the utilities.

Accountability to Consumers

- **Guarantee savings, and hold low-income households harmless for savings shortfalls.** Utilities should guarantee energy savings from installed measures and hold low-income households harmless if savings fall short or do not materialize. To achieve this, utilities should require program administrators to conduct audits that verify that promised savings have been achieved for these customers and that assure net bill neutrality for those households. A hold-harmless guarantee should be backed up by the Reserve Fund that will reimburse participants for savings shortfalls and costs incurred due to under-performance of installed measures. If a household initially selects measures that will increase home health and safety but may increase bills (such as home cooling from air source heat pumps, or lower indoor air pollution from electric appliances),³² then a pre-installation audit should be accompanied by a reasonable and transparent projection of likely energy costs associated with the new functions of the selected measures. Given all the uncertainties (in terms of savings and performance of installed measures), TOB programs should have clear hold-harmless provisions.

- **Establish a loan loss Reserve Fund.** A Reserve Fund should be used to allow the utility to cover unforeseen circumstances, including unpaid TOB charges, savings shortfalls, under-performance or malfunction of installed measures, and where subsequent home occupants or owners require loan modifications to ensure bill affordability.
- **Eliminate utility service disconnection as a remedy for nonpayment.** Service disconnection should not be allowed for unpaid TOB charges under any circumstances. Utilities should separate out the regular utility bill and TOB charge and apply all payments to the regular bill first to ensure utility service. This includes applying partial bill payments³³ to the utility bill first. The utility should use its loan loss Reserve Fund to recover any costs incurred due to partial or missed TOB payments.
- **Eliminate the upfront co-payment/downpayment for low-income customers.** In instances where a co-pay is needed to lower the monthly payments (to meet the “80/20” rule), either the measure should be considered unfeasible or other public funding should be used. Households with limited incomes should not be pressured into finding upfront funds for a TOB loan. Programs must ensure that households, whether low-income or not, are not taking out payday loans or relying on other high-cost lending to pay the TOB co-pay.
- **Exclude expensive solar measures.** Solar arrays and solar plus battery storage should be excluded from the list of measures that can be financed because the up-front costs are high and the payback periods are therefore longer for such measures. In addition, rooftop solar transactions are incredibly complicated and require their own particular consumer protections.³⁴
- **Protect subsequent home occupants and housing costs.** All protections noted above concerning disconnection, savings, and quality control should flow to subsequent home occupants in rental units for as long as the TOB debt is on the meter. Where there is a vacancy, the TOB debt should be put on hold and not allowed to accrue for the unit, to protect the cost of housing. Furthermore, the following protections are recommended to protect subsequent owners and tenants:
 - **Early loan pay-off.** Original owners should be permitted to pay-off the TOB loan at time of sale, with no penalty;
 - **Notice and Consent.** Protect tenants and subsequent owners from a TOB loan where the landlord or seller fails to provide adequate and early notice of the TOB obligation on the unit and secure upfront, informed written consent regarding the TOB debt. Tenants and subsequent owners in such situations should be relieved of the TOB obligation, therefore leaving the TOB debt as the financial responsibility of the landlord or seller. The landlord or seller should have the burden of proof to show that they provided early notice and obtained informed written consent from the tenant or subsequent owner. Unless this notice and

consent protection is in place, the TOB obligation should not be permitted for tenants or subsequent owners.

- **Loan Modification.** Subsequent owners should be permitted to obtain changed loan terms based on their particular circumstances (e.g. income and usage). The loan loss Reserve Fund should be used to subsidize any portion of the loan that is unaffordable for a subsequent occupant.

Data and Oversight

- **Ensure quality control to limit risks from falling on the customer.** Allow only screened and certified contractors to install the measures. Provide ongoing maintenance, repair, and post-installation quality control for free to low-income participants during the payment period. For issues that may arise during or post-installation, establish a clear process for complaints and redress, including allowing the customer to be released from the contract at no cost to the customer if there is a failure to repair or correct the problem.
- **Establish a complaint and dispute resolution process for customers.** Utilities should establish oversight mechanisms to increase transparency and accountability, including the creation of a complaint and dispute resolution process with a centralized, accessible platform for reporting. The complaint and dispute resolution process should include an explicit prohibition against using arbitration as a remedy. Arbitration unfairly stacks the deck against consumers and in favor of businesses, depriving consumers of the ability to pursue meaningful remedies for harms they have suffered.³⁵ A consumer-friendly reporting platform would enable utilities to identify and resolve problems when they occur, and monitor and analyze program performance.

Conclusion

As energy costs rise, families struggle to keep the lights on and indoor temperatures at safe and healthy levels. Policymakers must act with urgency to address this energy affordability crisis, particularly by beefing up existing free or low-cost programs and rules designed to help low-income consumers maintain their essential utility service. We recognize that many free or low-cost programs have lean budgets and that those programs are severely underfunded in some states, which makes TOB loans seem appealing for some policymakers and advocates. However, we caution against using TOB loans to address the energy affordability crisis. State and federal funding for home energy improvements is best spent on existing free or low-cost programs to broaden the number of consumers and measures covered by those programs. Any use of tariffed on-bill financing and similar financing programs, especially for low-income households, should be considered as a last resort and include the robust consumer protections highlighted in this brief. For further discussion, see [NCLC's resources](#).

For more information, contact National Consumer Law Center, Senior Attorney Berneta Haynes (bhaynes@nclc.org) or consumerlaw@nclc.org.

Endnotes

1. Residential customers, regardless of income, are facing rising utility bills. The protections suggested in this brief will go a long way towards protecting tariffed on-bill financing program participants from further increases in their utility bills and, therefore, should be considered as essential for moderate income residential customers as well.
2. [U.S. Energy Information Administration, April 11, 2022.](#)
3. Moreover, low-income households have the least ability to mitigate the growing harms of climate change, as they are less likely to have adequate insurance or the cash needed to relocate or make repairs after major weather events. Low-income households and racial minorities are also more likely to live in areas projected to have significant increases in asthma and heat-related deaths caused by climate change. See [“EPA Report Shows Disproportionate Impacts of Climate Change on Socially Vulnerable Populations in the United States,” EPA \(Sept. 2022\).](#)
4. Charles Hua, “Utility Costs are Rising,” PowerLines (April 2025), pp. 3, 14, *available at* https://powerlines.org/wp-content/uploads/2025/04/PowerLines_Utility-Bills-Are-Rising_2025-1.pdf.
5. [U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy](#), June 2022. See also Erin Rose and Beth Hawkins, [Background Data and Statistics on Low-Income Energy Use and Burden for the Weatherization Assistance Program: Update for Fiscal Year 2020](#), Oak Ridge National Laboratory (June 2020).
6. Durkay, Jocelyn. [“Energy Efficiency and Renewables in Low-Income Homes,”](#) *National Conference of State Legislatures* (Feb. 2017).
7. Durkay, Jocelyn. [“Energy Efficiency and Renewables in Low-Income Homes,”](#) *National Conference of State Legislatures* (Feb. 2017).
8. Zero-cost public programs like Weatherization Assistance (“WAP”) and the Low Income Home Energy Assistance Program (“LIHEAP”) help millions of families access important energy improvements and lower their energy burden. See Perl, Libby. [“LIHEAP: Program and Funding,”](#) *Congressional Research Service* (June 22, 2018).
9. See [“Toolkit: On-Bill Energy Efficiency,”](#) ACEEE (Feb. 2017).
10. [Interactive Map of Utilities with On-Bill Financing Programs](#), EESI. Note that this interactive map includes loan products for commercial customers as well as residential customers.
11. Neal, David, [“Review of National Consumer Law Center’s Tariff On-Bill Recommendations in Context of the Pay as You Save® System’s Built-In Consumer Protections,”](#) *Southern Environmental Law Center* (December 2020).
12. For example, Missouri, Georgia, and Arkansas utility regulators have approved PAYS® tariffs, and utilities in New Hampshire, North Carolina, California, and Tennessee have already implemented their own programs. See [“Status of PAYS & TOB Regulatory Proceedings and Legislation,”](#) Liberty Homes (Oct. 26, 2020). See also [Energy Efficiency Institute, Inc.](#) (March 29, 2022).
13. [“HELP PAYS \(Pay As You Save – Energy Efficiency Program\),”](#) Ouachita Electric Cooperation Corporation.
14. [“Upgrade to Save Program,”](#) Roanoke Electric Cooperative.

15. Illinois Clean Energy Jobs and Justice Fund Act. See 805 ILCS § 155 and 220 ILCS § 5/16-111.10.
16. See [“Introduction to Inclusive Investments,” Clean Energy Works.](#)
17. The Truth in Lending Act defines “credit” as “the right granted by a creditor to a debtor to defer payment of debt or to incur debt and defer its payment.” See 15 U.S.C. § 1602(f); Reg. Z § 1026.2(a)(14). Importantly, credit can be extended separately from the creation of the debt, as has been held by the Third and Fourth Circuit courts. For example, in one case a private company purchased water and sewer liens from local governmental bodies and then offered payment plans with finance charges to the debtors. See *Pollice v. National Tax Funding*, 225 F.3d 379 (3d Cir. 2000).
18. The lack of credit information provides little guidance about a consumer’s credit history or ability to repay increases the likelihood of late- or non-payment. Furthermore, the reliance on modeled savings does not ensure ability to repay. See [Coalition Letter to CFPB and FTC Regarding Tariffed On-Bill Financing \(TOB\)](#), National Consumer Law Center (Sept. 9, 2024).
19. Energy bills vary with weather, household energy usage, and other factors including energy costs. There is no readjustment or loan modification mechanism for changes in energy prices, household composition, or other factors. Energy bills also vary throughout the year, even though the TOB surcharge is uniform across the months. When the projected monthly savings fall short of the actual savings, a customer faces higher utility bills for that month. See [Coalition Letter to CFPB and FTC Regarding Tariffed On-Bill Financing \(TOB\)](#), National Consumer Law Center (Sept. 9, 2024).
20. See Lawrence Berkeley National Laboratory, Energy Markets & Policy, [Berkeley Lab reviews participant outcomes in Pay-As-You-Save® \(PAYS®\) programs](#) (Apr. 18, 2024) (“About half of Midwest Energy PAYS® participants have reduced energy bills.” In other words, the forecasted energy screen didn’t work for half the participants of the largest PAYS® program in the country.).
21. Tariffed on-bill financing programs in Vermont, where PAYS® was developed, differ from other implemented and proposed models tariffed on-bill financing in that it disallows disconnection for nonpayment of the tariff charge. See [“Introduction to Inclusive Investments,” Clean Energy Works.](#)
22. Proponents claim that utilities with PAYS® programs have reported no disconnections for nonpayment of the tariff charge, but lack of reporting does not mean lack of disconnections. Furthermore, disconnections nearly always lead to required reconnection fees and full payment of arrearage before a customer can be reconnected, highlighting the dangers of using disconnection as a means to collect the loan.
23. Farley, Chandra and Howat, John, et. al. [“Advancing Equity in Utility Regulation: Future Electric Utility Regulation Report No. 12,” Future Electric Utility Regulation](#) (Nov. 2021), p. 71. The threat of disconnection also may lead customers to turn to predatory loans to pay their bills.
24. Financing energy efficiency and renewable energy projects through lending to low-income consumers has been fraught with problems, including the deceptive marketing of PACE (Property Assessed Clean Energy) loans in California, Missouri, and Florida. See John Rao, [“Residential Property Assessed Clean Energy \(PACE\) Loans: The Perils of Easy Money for Clean Energy Improvements,” NCLC](#) (Sept. 2017). See also [“Property Assessed Clean Energy \(PACE\) Loans: State and Local Consumer Protections,” NCLC](#) (Nov. 2019).
25. See 220 ILCS 5/16-111.10(q). Section 16-111.10(q) provides: “An electric utility shall recover all of the prudently incurred costs of offering a program approved by the Commission under

this Section. For investor-owned utilities, shareholder incentives will be proportional to meeting Commission approved thresholds for the number of customers served and the amount of its investments in those locations.”

26. For example, WAP provides services in 35,000 homes on average annually, making homes more comfortable and lowering annual energy costs by \$372 or more on average. See U.S. Department of Energy, Weatherization Assistance Program, *available at* <https://www.energy.gov/scep/wap/weatherization-assistance-program>. See also “Testimony Before the Senate Committee on Appropriations Subcommittee on Energy and Water Development,” *National Consumer Law Center* (June 2025), *available at* <https://www.nclc.org/resources/testimony-before-the-senate-committee-on-appropriations-subcommittee-on-energy-and-water-development/>.
27. Utilities should offer rebates and other financial incentives to facilitate energy efficiency improvements and purchases, while braiding and stacking all existing options to maximize impact and savings for the low-income participants. If resources still fall short to cover the full cost (or most of the cost) of energy efficiency improvements for low-income participants, only then should utilities explore TOB as an option to temporarily meet the remaining need.
28. For example, the Massachusetts “HEAT” loan program provides a highly successful but lower-risk, alternative financing model that does not involve on-bill repayment. Loans are made by community-based lenders in amounts up to \$25,000, are interest-free, and can be paid back over a period up to seven years. [“MassSAVE® HEAT Loan.”](#) Moreover, because the MassSAVE® program offers substantial subsidies and incentives for installing energy efficiency measures, the principal amount of the loan is much smaller than the actual cost of the installed measures, further reducing risk to the consumer. [“MassSAVE® Residential Rebates and Incentives.”](#) During 2020, the HEAT Loan program made 33,000 loans totaling \$290 million, with the average loan exceeding \$7,500. [2020 HEAT Loan Measure Report](#). The HEAT loan program is far larger than any PAYS® program NCLC has found.
29. It is important to ensure proper targeting of these financial products to households that can afford the financial risk and eliminate the potential of increasing the household’s energy insecurity.
30. Obtaining this information will require coordination with LIHEAP and WAP administrators.
31. Ensuring that customers are not pressured into unaffordable, years-long contracts is critical if the goals of the TOB program are to be achieved.
32. It is important to note that in cases where a home has no air conditioning at all, the costs of installing a heat pump may be less than the medical costs associated with heat-related health problems and respiratory problems. These households may choose to add new measures that may increase their utility bills but protect or improve safety and the family’s overall health.
33. Because low-income families struggle with energy insecurity, it can be expected that partial or even missed payments will occur with TOB programs.
34. See National Consumer Law Center, *Rooftop Solar: Consumer Protection Recommendations*, *available at* <https://www.nclc.org/resources/rooftop-solar-consumer-protection-recommendations/>.
35. Forced arbitration clauses can suppress legal protections, by, for example, reducing the time allowed to file claims, removing individual’s right to enforce state and federal protections, and removing access to common law and statutory remedies. See Andrea J. Boyack, Abuse of Contract: Boilerplate Erasure of Consumer Counterparty Rights, 110 Iowa L. Rev. 497 (2025). University of Michigan researchers also have found that most consumers not only fail to recognize arbitration clauses in contracts but do not understand the implications of arbitration

clauses (i.e. most consumers assume that if a dispute arises, they will still be able to access the public courts, despite having agreed to arbitration). See Rebecca Sommers, "What Do Consumers Understand About Predispute Arbitration Agreements? An Empirical Investigation," University of Michigan Law School (July 2023), *available at* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4521064.