A Revolving Loan Fund (RLF) is a source of money from which loans can be made. It has become a useful mechanism for financing energy efficiency projects in cities, counties, and states, as well as at institutions like university campuses. The RLF is called “revolving” because the money that is initially lent out is ultimately repaid and re-used for new projects, thereby recirculating the original capital. Usually, the repayments of principal go back into the RLF and the interest payments and lending fees paid by the borrower are used to manage the RLF so that the RLF does not need additional budget for its operations. Seed capital for an RLF can come from public budgets, ratepayer funds, bond issuances, grants, and private capital. RLFs have been used to finance energy efficiency projects on both municipal and private buildings.
## Revolving Loan Fund Benefits and Challenges

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Cities, states, and institutions can use an RLF to commit to continued efficiency investments in their buildings; RLFs for such portfolios are relatively simple to set up and manage.</td>
<td>• Up-front capital is required.</td>
</tr>
<tr>
<td>• RLFs for private buildings can be designed to fit many markets and program goals and can be combined with other programs or credit enhancements to encourage investment in efficiency projects.</td>
<td>• If no additional capital is available once the initial pool of funds is allocated, there can be a long gap before sufficient funds are repaid to be able to start lending again.</td>
</tr>
<tr>
<td>• Mission-driven RLFs, which usually target underserved buildings, can help make the business case for the private sector to finance investments in such market segments.</td>
<td>• The government often acts as an administrator, requiring staff time.</td>
</tr>
<tr>
<td></td>
<td>• Using multiple sources of capital can increase administrative complexity, with additional lending constraints and reporting requirements.</td>
</tr>
</tbody>
</table>
STEPS TO SETTING UP A REVOLVING LOAN FUND

BIG PICTURE START-UP TASKS:
• Review existing energy loan programs and other RLFs in your state to leverage local expertise and knowledge.
• Set the purpose and goal of RLF.
• Identify capital sources for RLF and determine the allowed uses of funds as well as prohibited uses (capital sources include but are not limited to: state or city budgets; federal, state, or nonprofit grants; and ratepayer funds).
• Determine which department (or which entity) will manage the RLF (goal and capital sources will influence this).

LAUNCH TASKS:
• Determine the administrative duties and staffing needs of the RLF. (This will determine the administrative fees that need to be collected to ensure that the full costs of the RLF are covered by borrowers.).
• Set requirements for borrowers (eligibility, reporting, insurance, collateral, etc.).
• Set loan terms (maximum length, minimum and maximum term, percentage of project funding that loan can be used for, administrative fees, interest rates, repayment requirements, default provisions, etc.).
• Set up a committee to review loan applications (ensuring that adequate expertise in finance and energy efficiency is represented).
• Develop forms for the program (loan application, loan approval, reporting, etc.).
• Establish processes for ranking projects to fund (prioritization metrics could include payback, emissions, as well as other social, economic or environmental criteria).

IMPLEMENTATION TASKS:
• Promote the RLF. Who is target recipient? How to reach out to them?
• Provide loans to borrowers. Some RLFs also offer technical assistance alongside the loan.
• Regularly track and monitor existing loans and progress toward program goals.
• Assess RLF administration and refine as needed to improve process.
• Communicate success of program at least on an annual basis.

MORE INFORMATION ON RLFS:
• AMERICAN COUNCIL FOR AN ENERGY EFFICIENT ECONOMY: REVOLVING LOAN FUNDS
• U.S. DEPARTMENT OF ENERGY: REVOLVING LOAN FUNDS
• NATIONAL RENEWABLE ENERGY LABORATORY: REVOLVING LOAN FUNDS
• U.S. DEPARTMENT OF ENERGY: REVOLVING LOAN FUNDS: BASICS AND BEST PRACTICES
• REVOLVING LOAN FUNDS (RLF)