GREENSBORO

REQUEST for PROPOSALS
(RFP)
for Energy Efficiency Loan Products:
City of Greensboro

Proposal Due Date:	**February 24, 2011 at 4:00 p.m.**
Electronic Submittals to:	**Joshua.Mullins@greensboro-nc.gov**

If you have questions about this RFP, please contact:

Lead Contact for RFP	Dan Curry Manager of Community Sustainability (336) 373-2751

1. Summary of Request for Proposals (RFP)

As part of a grant from the U.S. Department of Energy (―DOE”) Better Buildings Program (―BB”), the City of Greensboro (the ―City”) is offering interested financial institutions a unique opportunity to take advantage of BB funded credit enhancements. The City is seeking financial institution lending partners (―Lenders”) to participate in its city-wide energy efficiency program (―Program”) designed to improve building performance and comfort, promote economic development, create local jobs, and save City residents and property owners money and energy.

The City is working collaboratively with a wide range of partners including contractors, utilities, and community organizations and is dedicated to promoting the development, financing, and implementation of energy efficiency projects in the residential and commercial sectors. An essential part of the Program is to arrange financing solutions for City residents and business owners, allowing them to pay for EE improvements over time in a way that allows for energy savings to be sufficient to cover all or a significant portion of loan payments. The City and its partners will be working with residential and commercial energy users to prepare energy efficiency projects that meet the requirements of the Program and the Grantors. Preparation of projects will include conducting building performance energy assessments, developing a customized energy action plan, assisting with available rebates, lining up contractors and bids, and carrying out a rigorous quality assurance program.

The City will devote approximately $1,500,000 from its DOE BB grant to provide loan loss reserves (LLR) and/or other credit enhancements such as interest rate buy-downs and capital for loan pooling programs. Lenders chosen to participate in the program will be provided access to these credit enhancement mechanisms in exchange for agreeing to market and provide energy efficiency loans to qualifying residential and/or commercial customers.

DOE funds are currently being used for these purposes across the country. Lenders wishing to participate are encouraged to research other similar programs from across the country. Basic information on these types of programs are available on a DOE finance website at:
http://www1.eere.energy.gov/wip/solutioncenter/financialproducts/ThirdPartyLoans.html

A variation of the model that the City intends to implement for residential lending is currently in operation in Michigan. Information on that program is at:
http://www.michigansaves.org/

The City is requesting proposals from Lenders to provide the following services:

- provide capital for energy efficiency (―EE") loans (―Loans") to residential and/or commercial energy users at the most attractive rates possible;
- provide all related Loan administration services, e.g., marketing, origination, servicing; and
- provide reports on the Loan portfolio and LLR and other data as required by the City.

The RFP process will identify Lenders willing to offer the most attractive combinations of low rates, long tenors, broad customer access, and local market penetration capacity. **The City of Greensboro may choose multiple Lenders to participate in this program in order to provide a program that meets all of the City's objectives**.

Selected Lenders will be invited to enter into negotiations with the City, at which time the final structure of financial partnership (e.g. the loan loss reserve fund, interest rate buy-down budget, and/or loan pool terms) will be finalized and laid out in Agreements between the City and the Lenders.

The support provided by the City will be expected to have the following impact on lender loan underwriting guidelines and subsequent EE lending within the City:

- **Increase size of unsecured residential loans**. Unsecured loan sizes from $3,000 - $20,000 are expected, potentially utilizing a fixture filing (UCC-1) where installed equipment permits such filings, that will assure the lender's claim will be settled on a property sale, transfer, or refinancing event.

- **Greater access to secured residential loans**. Lenders may also choose to propose a secured loan product using a deed of trust on the property being improved above certain threshold amounts but are not expected to include an unreasonably high loan-to-value as an underwriting criterion.
- **Extend tenors**. Loan tenors are expected to be extended. For example a loan tenor of 5 years could be extended to 8 – 15 years, allowing for the monthly loan payment to closely match the energy savings from the financed project.
- **Lower minimum credit score for residential loans.** Credit score requirements could be as low as 600 to 650 or have no minimum, just adjusted rates. Alternative and holistic approaches to credit will be encouraged by Lenders, some of whom have already demonstrated great interest in this approach. The assumption here is that although the potential borrower may not meet typical credit expectations, the willingness to improve their homes demonstrates willingness to pay and a higher personal investment in the project and the loan.
- **Reduced interest rates for residential and commercial loans.** Offer interest rates to commercial entities and residential owners that are lower than those currently readily available without similar credit enhancement support.

2. **Description of Eligible Energy Projects to be Finance**

Typical Residential Energy Efficiency Measures include but are not limited to**:**

- Air duct sealing
- Appliance replacement
- Air sealing building envelope
- Insulation
- Lighting
- Water heater and piping insulation
- Water heater replacement
- HVAC system tune-ups/repairs
- New central HVAC systems
- Storm windows
- Solar thermal and geo-thermal hot water heating (solar and geo-thermal systems may be allowed but only after other energy efficiency upgrades have been installed)

A complete definition of ―eligible energy efficiency projects" will be developed based on energy savings and other qualitative and economic criteria developed by the City in consultation with equipment suppliers, consulting engineers, and utilities. Technical studies confirming that projects meet these criteria can be shared with partner Lenders as part of Loan origination and appraisal.

In some cases, building owners will need to make non-EE repairs on the buildings in order to facilitate installation of the EE measures. For example, before attic insulation can be installed, it may be necessary to repair a faulty roof. Non-EE projects necessary to facilitate EE measures can be included in the Loans, up to a maximum percentage of 20% at the discretion of the City.

The City will make the final determination on projects eligible to take advantage of supported loans.

3. **Target EE Loan Product Details**

The goal of the Program is to offer EE Loans at attractive terms and longer tenors and broaden access to financing for EE projects in the City, initially. While it is anticipated that unsecured Loans will be the primary residential product offered, other products including secured (second or third mortgage lien) are expected particularly for larger commercial loans. The following list summarizes typical terms of the Loan products and should be considered by Lenders preparing their proposals and term sheets.

3.1 **Residential Product**

- Eligible borrowers. Residential homeowners will be eligible to borrow under the Program. Lenders should consider setting specific lending criteria that broaden access to credit for energy efficiency projects, based upon the credit enhancement provided by the LLR.
- Eligible properties. All existing single family homes (placed in service prior to January 1, 2010) located in the City of Greensboro are eligible for the types of residential energy efficiency projects and equipment referenced earlier (see list in section 2.3 above). The City will be responsible for determining whether a project is eligible. Home repairs that enable EE investments will also be considered and can equate to no more than 20% of the overall Loan.
- Loan application. Standard loan application and loan documents will be provided by the Lenders. The City and other partners will collect information from property owners in the application process, coordinating with the Lenders. The Loan application will reference two items: 1) the home performance survey that will describe the EE project investment plan and feasibility study specifying the intended measures to be implemented, their estimated costs, estimated energy and cost savings, and sources of financing, and 2) the contractor proposal for implementing the works.
- Loan terms. For Residential, 7-15 year terms are planned, with 10 years being typical.
- Interest rate. Our starting assumption is that interest rates will be market-based for the type of loan product factoring-in the extra security offered by the loan loss reserve. Rates will be fixed for each Loan at the time of Loan application approval. Lenders will be asked to provide a published interest rate index as a benchmark for Loan pricing. However, the Lenders may include a proposal to use a portion of the funds as interest rate buy-downs, if this is perceived to increase participation in the lending program.
- Payment schedule. Monthly payments in arrears are anticipated, with Loans amortized ―mortgage style," that is, level payments of interest and principal.

- Loan size: minimum & maximum. The actual parameters for the minimum and maximum loan size will be determined in the LLR Agreement between the City and the Lender partner(s); however, a $3,000 minimum Loan size is anticipated The City anticipates Loans in the range of $3,000 to $20,000.
- Loan underwriting guidelines and security. To be proposed by Lenders. Both secured and unsecured Loan products may be offered. For residential secured Loans, second and third mortgages are expected to be required with maximum loan-to-value ratios of up to 100% anticipated. Borrower contribution, if needed, can be paid by personal contribution, utility rebates or incentives, or other rebates and incentives. A prudent portion of estimated energy cost-savings can be included in this calculation. The Lenders can also file a UCC-1 on any eligible installed equipment.
- Loan disbursement & flow of funds during project construction. To be developed with Lenders. The simplest method is a single loan disbursement to contractor, authorized by borrower, following completion and acceptance of the project. Methods for construction advances for larger projects will be investigated. Multiple projects may be grouped for implementation.
- Prepayment option. Option to prepay the outstanding Loans in whole without penalty will be sought. Partial prepayment option is not anticipated.

3.2 Commercial Product

- Eligible borrowers. Commercial entities (multi-family residential, retail, industrial and institutional) will be eligible to borrow under the Program. Lenders should consider setting specific lending criteria that broaden access to credit for energy efficiency projects, based upon the credit enhancement provided by the LLR.
- Eligible Projects. All existing buildings (placed in service prior to January 1, 2010) located in the City of Greensboro are eligible for the types of energy efficiency projects and equipment referenced earlier (see list in section 2.3 above). Eligible types of upgrades for commercial buildings may also include control systems that allow for increased monitoring and adjustment of operating systems and energy usage. The City will be responsible for determining whether a project is eligible. Repairs that enable EE investments will also be considered and can equate to no more than 20% of the overall Loan.
- Loan application. Standard loan application materials will be provided by the Lenders. The City and other partners will collect information from property owners in the application process, coordinating with the Lenders. The Loan application will reference two items: 1) the building performance survey that will describe the EE project investment plan and feasibility study specifying the intended measures to be implemented, their estimated costs, estimated energy and cost savings, and sources of financing, and 2) the contractor proposal for implementing the works.
- Loan terms. For Commercial, 7-15 year terms are planned, with 10 years being typical.
- Interest rate. Our starting assumption is that interest rates will be market-based

for the type of loan product factoring-in the impacts of the loan loss reserve or other proposed credit enhancement models. Rates will be fixed for each Loan at the time of Loan application approval. Lenders will be asked to provide a published interest rate index as a benchmark for Loan pricing. However, the Lenders may include a proposal to use a portion of the funds as interest rate buy-downs, if this is perceived to increase participation in the lending program.

- Payment schedule. Monthly payments in arrears are anticipated, with Loans amortized –mortgage style," that is, level payments of interest and principal.
- Loan size: minimum & maximum The actual parameters for the minimum and maximum loan size will be determined in the LLR Agreement between the City and the Lenders
- Loan underwriting guidelines and security. To be proposed by Lenders. Both secured and unsecured Loan products may be offered. Borrower contribution, if needed, can be paid by personal contribution, utility rebates or incentives, or other rebates and incentives. A prudent portion of estimated energy cost-savings can be included in this calculation. The Lenders can also file a UCC-1 on the installed equipment.
- Loan disbursement & flow of funds during project construction. To be developed with Lenders. The simplest method is a single loan disbursement to contractor, authorized by borrower, following completion and acceptance of the project. Methods for construction advances for larger projects will be investigated. Multiple projects may be grouped for implementation.
- Prepayment option. Option to prepay the outstanding Loans in whole without penalty will be sought. Partial prepayment option is not anticipated.

3.3 Targeted Project and Loan Volume

Target buildings will be identified by energy efficiency audits coordinated by the City and its partners and conducted in conjunction with utilities and other partners. Marketing partnerships are being established with utilities, suppliers, equipment vendors and installers, project developers, and contractors. The Program will also utilize a comprehensive neighborhood outreach campaign focused on making contact with high percentages of building owners within identified neighborhoods. Neighborhood gatherings, block parties, energy workshops, door-to-door canvassing, and social media blasts are all tools to be employed to generate a flow of EE projects and market the selected Lenders' financial products to customers.

The typical sizes of single-family residential EE projects are expected to be in the range of $3-20,000. The City estimates the average loan size for residences choosing to finance these projects will be $6,000. Commercial projects (including multi-family) are anticipated to be in the range of $15,000-$200,000, with an average loan size of $75,000 estimated. The City has established ambitious goals and targets for their overall program and hopes to encourage up to $7 million in loan supported single-family residential energy efficiency investments and $7 million in loan supported commercial investments over the next two years as shown in the tables below. At this point-in-time both Duke Energy and Piedmont Natural Gas have rebate programs that would be available. The City may offer additional complimentary rebate options as another means to encourage customer participation. Actual projects will vary significantly in cost. These budgets are based on the City's current staff and partner capacity, and a 40% rate of loan uptake versus self-finance, and are subject both to final negotiations with the partner Lenders and to further adjustment and reprogramming during operations based on the experience and market response.

Residential Lending Targets

Average Project Size	$ 6,000
Average Rebates and Incentives	500
Average Loan Size	5,500
Total # of Loans	Approx. 1,300
Total Lending through 2012	$7,000,000

Commercial Lending Targets (including multi-family)

Average Project Size	$ 75,000
Average Rebates and Incentives	5,000
Average loan size	70,000
Total # of loans	Approx. 100
Total Lending through 2012	**~$7,000,000**

4. Anticipated Credit Enhancement Mechanisms

The City will devote an estimated $1,500,000 in BB funds from the grant the City received from DOE for credit enhancements to support EE lending in the City. The different credit enhancement mechanisms available to selected Lenders are described below.

4.1 Loan Loss Reserve Fund (LLR)

The City anticipates relying on the Loan Loss Reserve Fund (LLR) mechanism to promote residential and possibly commercial lending. The City will provide access to the LLR to selected Lenders to cover a significant portion of financial losses due to borrower defaults. While there is limited data on the performance of small scale energy efficiency loans, the data that is available shows that these loans perform remarkably well, most likely due to the fact that the projects financed generate cost savings and are seen as essential home comfort and performance improvements. Over $36 million of these types of loans have been made through June 2010 as part of Pennsylvania's Keystone Help program leading to 1.28% delinquency rate.

Summary of Delinquency Rates for Keystone Help Loan Portfolio (Source Energy Programs Consortium)

	Loan Count	Current Balance	Original Balance	Wtd. Avg. FICO	Wtd. Avg. DTI	Wtd. Avg. Note Rate	Wtd. Avg. Pass Thru	Wtd. Avg. Loan Age	Cum. Charge Offs	Cum. Charge Offs + 90 DPD
<649	148	$465,810	$776,315	639	37	7.71%	3.89%	21.3	4.39%	6.94%
650-699	897	$3,674,403	$5,358,078	679	37	7.57%	3.67%	19.0	1.40%	3.54%
700-749	1,586	$7,095,604	$10,275,430	727	38	7.41%	3.48%	17.0	0.62%	1.49%
750-799	2,195	$8,841,214	$14,164,388	776	34	7.36%	3.45%	16.5	0.14%	0.49%
800+	935	$4,280,969	$6,192,519	817	30	6.81%	2.85%	9.8	0.03%	0.06%
Grand Total	5,761	$24,358,000	$36,766,730	751	35	7.32%	3.40%	15.9	0.53%	1.28%

Under DOE policies, funds cannot be used to provide a full guarantee of loans, but rather can be used to cover a significant portion (as high as 95%) of potential loan defaults. The size of the reserve pool available to cover first losses on individual loans that fall in to default is based on the expected worst case scenario. In some programs such as Michigan, the loan pool has been limited to as low as 5% of the portfolio of loans. In other words, a lender with $1 million in outstanding EE loans will be able to cover up to 95% of the losses on any loans in their portfolio that go into default with a cap set at $50,000. The goal of the City's LLR program is to create sufficient loss reserves—from LLR funds—to cover the vast majority of any estimated level of losses and allow the Lenders to offer very competitive rates. Based on performance data from Pennsylvania and other energy loan programs, the City believes that setting the size of the initial LLR pool at 10% of the outstanding portfolio will provide significant risk mitigation while permitting the City to leverage a significant amount of capital funds (10 times at program outset). Based on these percentages, the City anticipates being able to support as much as $15,000,000 in EE loans if all of the City's funds were devoted to the LLR mechanism.

The City understands that there are trade-offs involved with the LLR design and that covering higher percentages of first losses and raising the LLR cap to a higher percent of outstanding loans may lead to lower rates but will also limit the amount of credit enhanced loans it can support. **Lenders responding to the RFP will be given the opportunity to show the impacts that different percentages of first losses and different percentages of portfolio coverage will have on the loan rates that they may offer by proposing different EE products. The City also recognizes that Lenders may wish to have different levels of first loss coverage and different underwriting standards for borrowers with different credit worthiness profiles and welcomes this type of tiered structure.**

The LLR pool will be deposited in escrow accounts to be managed by the City. Depending on the number and size of the Lenders the City selects, escrow funds may be deposited directly in the account of participating Lenders or may be held within a central account at another financial institution. [**If having these escrow funds deposited in a Lenders institution has a material impact on available terms the Lender is able to offer, the Lender should specify this in their proposal.]** In either case, the lender will have streamlined access to the funds in a manner that will lead to rapid transfer of funds to Lenders once documentation of loan defaults is provided to the City.

The LRR Agreement between the City and Lenders will create and describe key sub-accounts: an escrow account (—Escrow Account"), a reserve account (—Reserve Account"), and an account to house funds that are retired from the Reserve Account after Loans have been repaid (―Reflow Account”).

On a recurring basis to be mutually agreed upon, as the Lenders provide documentation of eligible originated EE Loans, the agreed amount of funds for the loss reserve will be transferred from the Escrow Account to the Reserve Account. Once funds are transferred to the Reserve Account, they are available for the lender to quickly draw on in event of a documented loss. For example, a lender originating $500,000 in loans would have $50,000 of funds allocated and attached to their outstanding loan pool if the portfolio coverage ratio is 10%.

To implement the finance program with the selected Lenders, an LLR Agreement will be executed by and between the Lenders and the City (depending on the proposal and the final terms of the LLR Agreement, the Program may also include a portion of funds used for interest rate buy-downs – see below). Key terms of the LLR Agreement include the following:

- *Definition of the Escrow Account.* The ―Escrow Account” will house the original DOE BB grant monies deposited by the City. Funds in this account, and their transfer into the Reserve Account, will be controlled by an Escrow Agreement executed by and between Lenders and the City.
- *Definition of the Reserve Account.* The ―Reserve Account” is available to the Lenders to cover legitimate principal losses due to default that are otherwise unrecoverable using the Lenders standard default recovery mechanism (see next bullet).
- *Definition of Loss & Event of Loss*. ―Loss” will be defined as principal only on the Loan. ―Event of Loss” will be tied to the definition of Loan default and acceleration under Lenders' Loan Agreement with their borrowers and will occur when the lender gives its acceleration notice to its defaulted borrower demanding all payments due under the Loan Agreement. A certain number of days after this event, *e.g.*, 30 days, the lender will be able to transfer funds from the Reserve Account to cover the agreed loss share without obtaining further approval from the City.
- *Interest on Accounts***.** Interest shall accrue to the City on all accounts. Federal regulations state that all interest accrued must be used for eligible program purposes, and this includes ―topping off” the LLR to enhance its sustainability over time.
- *Responsibility for and Distribution of Recoveries*. The Lenders will be responsible for recovery actions on defaulted Loans. Recovered monies, net of reasonable collections costs, will be distributed back to the Reflow Account to be used for eligible program purposes.
- *Underwriting criteria*. The parties will agree in advance on underwriting guidelines for the Loans. Lenders will be able to support Loans through the Reserve Account that meet the underwriting criteria. Underwriting criteria can be adjusted during the course of the Program as a mutually re-negotiated and written amendment to the LLR Agreement. The terms of the Loans will be enumerated, including eligible borrowers, eligible projects, minimum and maximum Loan

size, Loan tenors, etc.

- *Reporting & Monitoring*. The Lenders will provide regular monthly reports on the EE Loan portfolio, including the number and amount of outstanding Loans, payment performance, and collections, on all activities on the Escrow, Reserve, and Reflow Accounts. In each monthly report, the Lenders will also indicate any losses or acceleration notices. All of the accounts and sub accounts held at the lender can be audited by City staff and/or external auditors hired by the City and are open to inspection by the City.
- *Availability Period.* The timeframe for adding Loans to the portfolio and shifting funds from the Escrow Account to the Reserve Account will be defined and tied to the DOE BB grant requirements.
- *Disposition of LLR Funds at end of Loan Period.* Funds will remain in the Reserve Account, the amount of which, in a fully subscribed portfolio, will be equal to the coverage ratio percentage times the amount of outstanding loans. When the amount of the loans in the Reserve Account exceeds the percentage of guaranteed portfolio coverage due to a drop off in lending and/or prepayments, the amount in excess will be transferred to a ―Reflow Account" for additional eligible uses under the DOE requirements. At this time, it is anticipated that funds transferred to the Reflow Account will be designated to support further EE lending or otherwise enhance credit for EE loans, unless otherwise determined by the City per the LLR Agreement (see bullet below on Reprogramming Funds in the Escrow Account). Distribution of funds from the Reserve Account to the Reflow Account will occur on the same schedule as funds are transferred under the availability period determined under the above bullet (presumptively monthly).
- *Reprogramming Funds in the Escrow Account and the Reflow Account*. Funds in the Escrow Accounts belong to the City. As part of the negotiating process between the City and the Lenders, reasonable lending targets will be established. The City will have the option to re-allocate the funds in the Escrow Account, if the targets are not met, to a different credit enhancement. The Agreement will indicate the ability of the City to reprogram uses of these funds, as needed, to adapt to Program operating experience. Funds could be used for interest rate buy-downs and other incentives to increase marketability and uptake of Loans.
- *Accommodating the portfolio "ramp-up" period*. Before the portfolio builds up, the City realizes the Lenders will face a greater risk of financial loss if their early loans fall into default due to the cap on the size of the LLR pool. Thus, during initial Lending periods, a larger contribution to the Reserve Account may be negotiated to give the Lenders the necessary level of risk-sharing during the portfolio ramp-up period.

The LLR mechanism is not a loan guarantee- it uses DOE grant funds to incentivize commercial lender activity by sharing risk with the partner Lenders but it does not eliminate risk for the lender. There is no guarantor in this mechanism. The liability of the City is limited to the DOE BB grant funding allocated to cover accepted losses. The Lenders are at risk for the repayment of all Loan amounts in the EE Loan portfolio in excess of the loan loss reserves provided. Therefore, prudent lending

origination and administration must be maintained.

4.2 Interest Rate Buy-Downs

The City intends to use the majority of the portion of their DOE grant monies allocated to support residential lending as loan loss reserves, but is willing in some cases to allocate some of these funds to buy down interest rates for borrowers. The cost of interest rate buy-downs are a function of the loan term and also will be priced to reflect assumptions on early loan prepayment. Interest rate buy-downs, if any, will be addressed in the Agreement between the City and Lenders. The agreed budget for interest rate buy-downs will be deposited into the escrow account and these funds would be drawn down by the Lenders as the loans are made to reduce the rate. The present value of the interest rate buy-downs are paid to the Lenders as the loans are originated. If funds are used as interest rate buy-downs, a separate sub account will be opened for these funds for reporting and tracking purposes. This practice will be maintained for each credit enhancement mechanism.

4.3 Loan pools and other forms of revolving loan funds

The City recognizes the inherent differences in residential and commercial lending and is willing to consider alternative partnership models with Lenders to promote commercial lending in order to reach the City's commercial lending goals. Under DOE guidelines, the City is permitted to use some of its BB funds as direct loan capital and is willing to consider proposals from Lenders for the creation of joint loan pools and other co-funding models. The City has direct experience partnering with Lenders in this manner under their targeted loan pool http://www.greensboro-nc.gov/departments/hcd/planning/econdev/loanpool.htm. Any proposal to use Greensboro's BBP funds as direct capital should be guided by the same criteria as other enhancements and seek to use the credit enhancement funds in a highly leveraged manner to provide attractive EE loan products. In order for the City to evaluate the impact of its funds allocated for these purposes, Lenders must present information on the leveraged impacts of loan pools and other revolving loan models in their proposal.

5. Roles and Responsibilities

Anticipated roles of the Program partners are described below. Proposer may suggest other/additional roles as appropriate.

The City will provide:

- Program Coordination. Lead role to coordinate project implementation among all partners and parties.
- Quality Assurance. City will develop a quality assurance program designed to promote high quality projects that lead to real savings and increased building performance.
- Workforce Training. Develop and implement the workforce training program that will expand the number of contractors able to carry out high quality EE projects within the City.
- Significant Risk Reduction and Credit Enhancement Funding. The City will

provide funds to support the creation of loan loss reserve funds and other credit enhancement mechanisms to provide building owners with more attractive financing options.

- Reporting and Monitoring. City and its contracted agents will take the lead in collecting, preparing, and submitting program reports to DOE as per agency requirements.
- Aggressive Marketing Campaign. Organize & conduct marketing campaign for all sectors, coordinating with other partners. Conduct community-based neighborhood campaigns. This includes marketing the loan products. Work extensively with utilities and an approved contractor network to market loan availability.
- Project Vetting. The City will verify that projects meet EE and other germane standards before Loans can be approved.
- Project Engineering & Development. Coordinate delivery of engineering and project development services to interested customers. Develop and implement residential sector projects, organize audits, and evaluate and work with qualifying EE sub-contractors to implement projects.
- Loan Application and Origination Support. City is willing to work with its approved contractors and selected Lenders to develop streamlined loan application procedures that may reduce the administrative costs of Lenders. This approach is based on recent research that has demonstrated the positive impact of having approved contractors play a supervised role in loan marketing and application process.

The Lenders will provide:

- Energy efficiency Loans. Offer additional EE loan products to qualified borrower subject to Lenders credit approval process.
- High level of Customer Service. Provide high quality customer service to borrowers and potential borrowers through a combination of branch offices, customer service centers, call centers, and websites
- Loan Marketing. Participate in a collaborative marketing campaign with the City and other partners to market availability of credit enhanced loan products to existing and new customers. Marketing can be done through multiple channels (e.g., mailers to current mortgage holders, business account holders, and personal account holders). Lenders will be expected to market the Program to its existing portfolio of customers
- Customer credit pre-screening services. Provide credit screening such that established underwriting criteria are followed and loans are made and marketed to qualified borrowers.
- Loan servicing and administration. Collect loan payments and develop and enforce policies covering late payments and defaults. Banks must follow their normal collection procedures and must outline these in their response to this RFP.
- Reporting. Work with the City to make available information on loan and project performance taking into strict consideration customer privacy concerns and policies.

Utilities may provide:

- Energy efficiency audits. Utilities may provide nominal incentives toward audits.
- Financial incentives. Provision of financial incentives (rebates) typically for 5-10% of EE project costs, according to the utility cost-effectiveness criteria.
- Marketing. Some marketing and education to customer base, along with providing some utility data.

Note: Discussions with Duke Energy and Piedmont Natural Gas are currently underway and participation is pending.

6. **Proposal Schedule**

A City staff team will be responsible for reviewing all submitted proposals. Key steps and schedule for the RFP process are as follows:

RFP issued by the City	1/31/2011
Pre-bid Conference among financial institutions, representatives from the City, and the various other partners in the Program. This meeting is optional.	2/8/2011
Proposals due	2/24/2011
FI(s) selected by the City for negotiations	3/10/2011
Target date to complete LLR Agreement and Program Agreement Negotiations	3/31/2011
City Council approval of LLR and Program Agreements	4/19/2011

These dates are subject to change by the City. The City will notify all Lenders that have submitted a notice of intent to propose of any changes.

Questions may be submitted up to 3pm on Thursday, February 17, 2011 and answers will be posted on the City website by 4pm on Friday, February 18 ,2011 Questions must be submitted electronically to the following email: Joshua.mullins@greensboro-nc.gov. The City may modify this RFP prior to the date fixed for submission of proposal by issuance of an addendum that will be posted on the City website. Addenda will be numbered consecutively, the first being A-1.

Proposals will be due no later than 4pm on Tuesday, February 24, 2011. All proposals shall be submitted electronically and delivered to Joshua Mullins at Joshua.mullins@greensboro-nc.gov. The City is not responsible for lost or misdirected proposals for whatever reason. The City will respond electronically to all lenders indicating receipt of the proposal and the Lender should not assume proposal has been received by the City until a confirmation email is received. For problems with electronic submittals, contact Joshua Mullins at (336)373-7944 or Dan Curry at (336)373-2751.

Verbal communications with the City are encouraged but shall not be binding on the City and shall in no way modify this RFP or excuse proposers from the requirements set forth in the RFP. Such modifications shall only be made in writing through RFP addenda as indicated above.

An optional ~~"~~pre-submittal" web conference will be held on 2/8/11 at 11:00 AM. This conference is an opportunity for proposers to learn more about the Program and ask questions. The City, its advisors, and other relevant Program Partners will be in attendance. To participate in this web conference, send an email to Joshua.mullins@greensboro-nc.gov to receive call in instructions.

The City's selection of a Lender pursuant to this RFP process does not mean that the City accepts all aspects of the Lenders proposal, modifications to which may be requested and agreed to during contract negotiations. Costs for preparing proposals are entirely the responsibility of each proposer and shall not be chargeable to the City. If the City is unable to reach an agreement with the Lenders originally selected, it will select the next highest-ranking respondents from the original list, without the need to go out for another RFP.

7. **Instructions and Proposal Outline**

These instructions prescribe the format and general content for proposals. Proposers are required to submit **electronic** copies of the following components. The City seeks to reduce waste in all our activities. Submittals shall be as PDF attachments to emails only.

- Cover letter. Letter transmitting the proposal must be executed by a responsible authorized official of the lender. In the letter please indicate if Lender is proposing to offer residential, commercial or both types of Loan products.
- Proposal: See description of required materials below.
- Term Sheets for Applicable Loan Products

This is a competitive process. Proposers are asked to be creative in their proposals, addressing and suggesting trade-offs, submitting multiple options where reasonable, suggesting ranges, etc.—all aimed at achieving the fundamental goals of the Program and the DOE BBP grants: to reduce energy usage through energy efficiency measures, to create green jobs, and to get Lenders lending again, by offering the best loan terms (e.g., where possible the monthly loan payment amounts are offset by the energy cost savings) and broader access to loans (as practical, lowering barriers to lending so that more borrowers can utilize this Program.

Proposals should be as concise as possible while addressing the following points:

7.1 Terms of Loans to be Offered

Please provide a summary description of Loan products and Loan terms the Lender can offer. We are interested to see the Lender's ability and willingness to provide secured and unsecured loan producst for commercial and residential. **Lenders may choose to propose to offer any or all of these products.** We are also interested to see the Lender' willingness to consider different interest rates for different size loans and different credit rating criteria, in each of the sectors. Please provide applicable Loan Term Sheets covering specific products. (See Annex 2 for example Loan Term Sheet).

7.2 Commentary on LLR Terms

Please respond to the proposed LLR structure and terms, including Lender's proposed LLR risk-sharing formula. Please identify and discuss briefly the Lender's position on key points in the LLR structure.

- Parameters of the risk-sharing formula
- Separation and definitions of the Escrow and Reserve Accounts
- Definition of Loss and Event of Loss
- Minimum Amount of funds to be committed to Lender
- Portfolio ramp-up period
- Ideas on interest rate buy-downs
- Housing of the Escrow and Reserve Accounts (City vs. Lender held accounts)

7.3 Approach to Credit and Underwriting Guidelines

Please provide a brief summary description of the Lender's approach to (i) credit analysis of borrowers, (ii) underwriting guidelines and criteria for the energy efficiency Loan program, distinguished by customer market segment, and (iii) credit screening. Please address the Program goal of broadening access to finance and how the LLR can support this goal.

7.4 Loan marketing, origination, and administration

Please provide description of the Lender's approach to Loan marketing and ideas about working jointly with the City and other Program partners.

7.5 Qualifications & Experience, Officers and Staffing

Please briefly summarize your institution's qualifications and experience to undertake this Program, including current client base that can be targeted for marketing purposes. Please indicate names of officers who will play the following roles:

- Program Manager, headquarters, lead loan officer responsible for this Program who will provide the lead and primary point of contact for Loan origination;
- Senior Lender Officer(s), who will negotiate and execute documents on behalf of the Lender, be available if and as needed to discuss policy matters, and provide

program leadership;
- Other staff, e.g., legal counsel, risk manager, assistants to the Program Manager within headquarters; and

Please provide a brief summary of the Program Manager qualifications. Overall, please describe the level of effort and services the Lender will devote and the general management approach the Lender will take to make this Program succeed.

7.6 Collaborative Services, Technical Assistance & Training Needs

Please describe the ideas, if any, for assistance Lender would like to receive from the City and other partners to make this program a success.

7.7 Additional Statements and Materials

If necessary, Lender may include key additional statements, ideas, and materials that demonstrate the Lender's understanding of the Program goals and how the Lender could implement the Program.

8. Selection Process

Proposals will be reviewed by the City staff for completeness and scored and ranked by an Evaluation Committee. The Evaluation Committee will consist of City representatives and their advisors. The City will evaluate proposals according to the following criteria:

- Attractiveness of the proposed Loan terms, including pricing, tenor, security requirements, prepayment options, etc.;
- Financial capacity of lender (size of assets, fiscal health).
- Response to proposed loan loss reserve terms and ability to utilize this to meet the Program objectives and the objectives of the DOE;
- Feasibility and expected performance of alternative credit enhancement models (e.g. revolving fund, pooled loan fund);
- Clarity and suitability of proposed Loan underwriting criteria and ability to meet the Program goal to broaden access to credit;
- Simplicity and ease of administration of underwriting criteria and Loan origination procedures and coordination with Program partners;
- Skills of staff, services, and level of effort the Lender will provide to make this Program successful;
- Ability to reach customers in the Greensboro market and
- Additional statements, ideas and materials that demonstrate the Lender's understanding of the Program goals and how the Lender could implement the Program.

The City will select one or more Lenders to proceed to negotiations. Please note: selection of the Lenders will be a selection for negotiation—that is, the City and the selected Lenders will further refine the elements of the proposal to arrive at final agreements. If the City is unable to reach an agreement with the Lenders originally selected, it will select the next highest-ranking respondents from the original list, without the need to go out for another RFP.

Following selection of the Lenders for negotiation, the City will proceed to negotiate the LLR Agreement and other necessary agreements. Upon reaching general agreement on terms, the proposed agreements will be submitted to the Greensboro City Council for approval prior to execution of the loan agreements.

RFP Attachments

Attachment 1: Residential Term Sheet Template to be completed as part of Proposal

Attachment 2: Commercial Term Sheet Template to be completed as part of Proposal

Attachment 3: Example Term Sheets

Residential Product(s)

Instructions: Lenders should use this template to present the details of the EE products they are willing to offer as part of this program. Lenders may propose as many different products as they wish and may make modifications in the format of the term sheet to more clearly present their products as long as requested information is shown. For example: a separate table that shows loan terms for different FICO scores. Lenders are encouraged to be creative.

Parameters	**Description**	**Additional Notes to Proposers**
Product Title		Short title that describes the particular product the lender is willing to offer
Eligible Loan Amount	$3,000 to $20,000	Modify as necessary
Term(s)		Propose terms: City anticipates proposals with as long terms as possible up to 15 years for some products
Collateral		Modify as necessary.
Interest Rate		If interest rates will vary significantly for different terms or different credit worthiness factors (FICO scores) specify likely interest rates for different terms
Payments		Method of calculating payments
Debt Ratio		Complete if this will be part of underwriting requirements
Min. Credit Score		Propose credit score requirements: City anticipates proposals willing to cover range of credit scores and that interest rates may vary for different FICO scores (clearly show impact FICO scores will have on interest rates).
Other underwriting criteria (describe)		specify if applicable
Other underwriting criteria (describe)		specify if applicable
Other underwriting criteria (describe)		specify if applicable
Origination Fee		specify if applicable
Percentage of Eligible Losses Covered by LLR until cap is reached		Propose percentage: City anticipates proposals in the range of 60 to 90 Percent

Attachment 1

Loan Loss Reserve Cap (% of outstanding loan principal)	10%	May propose alternatives
Additional Notes		
Late Fees		Add information on late fees
Price Adjustments		Specify if applicable
Eligibility		

Commercial Product(s)

Instructions: Lenders should use this template to present the details of the EE products they are willing to offer as part of this program. Lenders may propose as many different products as they wish and may make modifications in the format of the term sheet to more clearly present their products as long as requested information is shown. Lenders are encouraged to be creative.

Parameters	**Description**	**Additional Notes to Proposers**
Product Title		Short title that describes the particular product the lender is willing to offer
Eligible Loan Amount		Modify as necessary
Term(s)		Propose terms: City anticipates proposals with as long terms as possible up to 15 years for some products
Collateral		Modify as necessary
Interest Rate		If interest rates will vary significantly for different terms or different credit worthiness factors (FICO scores) specify likely interest rates for different terms
Payments		Method of calculating payments
Debt Ratio		Complete if this will be part of underwriting requirements
Min. Credit Score		Propose credit score requirements: City anticipates proposals willing to cover range of credit scores and that interest rates may vary for different FICO scores (clearly show impact FICO scores will have on interest rates).
Other underwriting criteria (describe)		Specify if applicable
Other underwriting criteria (describe)		Specify if applicable
Other underwriting criteria (describe)		Specify if applicable
Origination Fee		Specify if applicable
Percentage of Eligible Losses Covered by LLR until cap is reached		Specify if applicable. If lender wishes to propose another credit enhancement mechanism, provide basic details on term sheet and explain in more detail in the body of the proposal.
Loan Loss Reserve Cap (% of outstanding loan principal)		Specify if applicable
Alternative Credit Enhancement Mechanism		Specify if applicable. The City is open alternative credit enhancement mechanisms particularly for commercial products. Provide basic details on term sheet and explain in more detail in the body of the mechanism.
Target funds lender wishes to make available for this type of product through March 30th 2012		Specify if applicable. Specify the maximum realistic amount of funds the lender believes can be made available to borrowers for this product.
City funds necessary to support proposed credit enhancement		Specify if applicable. Specify the amount of City credit enhancement funds that will need to be committed if target

mechanism to generate lenders targeted lending amount		above is met.
Additional Notes		
Eligibility		Specify if applicable

Example Term Sheets (These examples are provided for illustrative purposes only and are based on actual term sheets from another region of the country). City understands that Lenders will customize their response based on their own capacity and interest.

Parameters	**Description**
Name of Product	Unsecured EE Home Improvement Loan
Amounts	$1,000 to $10,000
Term	24, 36, 48, or 60 months
Collateral	Unsecured up to $5,000; UCC filing >$5,000
Interest Rate	6% (subject to change)
Payments	Monthly Fully Amortized P&I Pmts; Min Pmt $50
Debt Ratio	50% DTI
Min. Credit Score	620-650 Beacon w/ BNI 285+; 650+ Beacon w/ BNI 250+
Origination Fee	Waived
Loan Loss Reserve	10%

Parameters	**Description**
Name of Product	EE Home Equity Loan
Amounts	$10,001 to $50,000
Term	180 months
Collateral	2nd DOT Primary Residence
Interest Rate	5.00% up to 80% CLTV; 6.00% up to 100% CLTV
Valuation Method	Tax Assessed Value or Automated Valuation Method or BPO
Payments	Monthly Fully Amortized Principle and Interest payments
Debt Ratio	50% DTI
Min. Credit Score	620-650 Beacon w/ BNI 285+; 650+ Beacon w/ BNI 250+
Origination Fee	Waived
Closing Costs	Credit Union will pay Owner Occupied.
Nonowner Occupied	1.0% increase to above rates. Maximum term 144 months. 80% maximum CLTV. Third party fees paid by borrower.
Loan Loss Reserve	5%

Please Note

Late Fees	The greater of $5 or 5% of minimum pmt if 15 days past due
Price Adjustments	0.25% rate discount with auto pay from any Credit Union deposit account
Eligibility	1) Credit Union Membership Eligibility 2) Qualify for a Credit Union savings account: e.g. no active collections or judgments. 3) Property must be located within XXXX County 4) Two years stable income and two years at same address

Parameters	**Description**
Name of Product	EE Business Improvement Term Loan
Amounts	$5,000 to $25,000
Term	36, 60 or 84 months (must not exceed lease term)
Collateral	UCC Filing on Furniture, Fixtures, Equipment
Interest Rate	7.00%
Payments	Monthly Fully Amortized Principle and Interest payments
Debt Ratio	1.25:1 DSCR
Min. Credit Score	650
Origination Fee	$250
Closing Costs	Third Party Fees Paid by Borrower
Loan Loss Reserve	10%

Parameters	Description
Name of Product	EE Commercial Real Estate Improvement Loan
Amounts	$25,000 to $100,000
Term	120 Months Fixed Fully Amortized
Collateral	1st or 2nd Lien DOT on Real Estate
Valuation Method	Tax Assessed Value or Officer Estimation of Value
Interest Rate	Index: 5 yr CMT plus Margin: 3.0%; Floor 6.0%
CLTV	80% Maximum
Payments	Monthly Fully Amortized Principle and Interest Payments
Debt Ratio	1.15:1 DSCR
Min. Credit Score	650
Origination Fee	$500
Closing Costs	Third Party Fees Paid by Borrower
Loan Loss Reserve	5%

Please Note

Late Fees	The greater of $10 or 5% of minimum pmt if 15 days past due
Price Adjustments	0.25% rate discount with auto pay from any Credit Union deposit account
Eligibility	1) Credit Union Membership Eligibility 2) Qualify for a Credit Union savings: no active collections or judgments. 3) Property must be located within County