



Home Energy Loan Program Loan Loss Reserve Fund Agreement

This Michigan Saves Loan Loss Reserve Fund Agreement (this "Agreement") is effective as of _____, 20__, between Michigan Saves, Inc., a Michigan nonprofit corporation ("Michigan Saves"), and _____, a _____ (credit union/bank) ("Lender") (hereinafter, collectively the "Parties").

WHEREAS, Michigan Saves and the Lender are entering into this Agreement regarding the Michigan Saves Home Energy Loan Program (the "Program") to provide a loan loss reserve for certain types of energy efficiency loans ("Program Loans") to be made by Lender to certain eligible borrowers;

WHEREAS, Michigan Saves desires to provide a loan loss reserve fund in connection with Program Loans made by Lender;

WHEREAS, Michigan Saves intends to enter into similar agreements with certain other lenders participating in the Program (the "Participating Lenders"); and

WHEREAS, the parties desire to set forth in this Agreement the terms and conditions of the Reserve Fund.

NOW, THEREFORE, the parties agree as follows:

1. Term of Agreement.

1.1 Lending Period. Program Loans may be made during the period (the "Lending Period") beginning as of the date of this Agreement and ending on the earlier of (a) the date on which Michigan Saves has contributed the Maximum Total Net Contribution (as defined in Section 3.4) to the Lender's Reserve Fund Balance in the Reserve Fund (as such terms are defined in Section 3.1) for all Participating Lenders, (b) the date on which the Lender's Remaining Allocation (as defined in Section 3.4) has been contributed to the Lender's Reserve Fund Balance, (c) the date on which, at Lender's sole discretion, Lender provides notice to Michigan Saves that lender will stop making Program Loans, or (d) December 31, 2013 or such later date as the parties may mutually agree to in writing.

1.2 Term of this Agreement. This Agreement shall continue in effect until the earlier of (i) the date by which each Program Loan made by the Lender during the Lending Period has been either repaid in full by the borrower or Lender has recovered its Eligible Losses (as defined

in Section 5.1(a)) with respect to such Program Loan pursuant to this Agreement, or (ii) the date the Lender's Reserve Fund Balance has been paid to Lender in accordance with Section 4.2.

2. Program Loans.

2.1 Requirements. Only Program Loans meeting the criteria specified in the Michigan Saves Home Energy Loan Program: Requirements for Lenders (the "Requirements"), which is attached as Appendix A and incorporated into this Agreement, are eligible for recovery from the Reserve Fund. Lender agrees to comply with the Requirements and follow the Program procedures described in the Requirements. Notwithstanding anything to the contrary in this Agreement, Lender is not responsible to determine that Program Loans meet the Eligibility Measures criteria included in Appendix A. Michigan Saves may modify the Requirements and its contents from time to time by modifying the Requirements on the Michigan Saves website, provided that Michigan Saves gives thirty (30) calendar days notice to the Lender's contact person for purposes of the Program. Any Program Loans shall be originated by Lender in conformity with the Requirements. A Program Loan determined by the Contractor to meet the Eligible Measures criteria specified in Appendix A is eligible for Reserve Fund recovery. A later determination that a Program Loan does not meet the Requirements will not affect Lender's right to recovery from the Reserve Fund with respect to that loan.

2.2 Promotion of Program Loans. Lender will use reasonable efforts to educate appropriate staff concerning Program Loans.

2.3 Underwriting and Loan Administration.

(a) Underwriting. Program Loans must satisfy the minimum underwriting criteria specified in the Requirements. Lender has sole responsibility for underwriting decisions and legal compliance with respect to the Program Loans it makes. Lender agrees that for each Program Loan it makes it will investigate and evaluate the creditworthiness of the applicant in a manner consistent with its customary practice for an unsecured loan in the amount proposed without the benefit of a loss reserve.

(b) Loan Administration. The Lender will receive all loan payments and will service each Program Loan until it is paid in full. The Lender will follow its normal collection procedures with respect to any delinquent Program Loan. Lender shall maintain such records with respect to the Program Loans as it customarily maintains with respect to other loans it makes of a similar nature.

(c) Consent to Information Sharing. Lender shall require each borrower under a Program Loan to sign a Certificate of Completion provided by Michigan Saves, which is attached as Appendix B and incorporated into this Agreement, which allows Lender to share information about the account with Michigan Saves as specified in the Requirements.

2.4 Monthly Reporting of New Program Loans and Portfolio Status.

(a) Monthly Report. Within five (5) business days after the end of each month, Lender shall provide to Michigan Saves an itemized report as outlined in the Requirements. The Monthly Loan Report will include:

(1) New Program Loans. An itemized report of new Program Loans made during that month, including name, address, and phone number of the borrower(s); the origination date; the amount of loan, interest rate, and term. For loans not originated through the central loan processor, lender must include date application received, Michigan Saves contractor ID number, and the applicant's FICO score.

(2) Confirmation of Eligibility. A certification by Lender that to the Lender's knowledge the new Program Loans are eligible loans under the criteria included in the Requirements related to Lender's responsibilities;

(3) Portfolio Status and Amortization Report. A status report for all outstanding Program Loans, including borrower name(s), the origination date, the original balance, loan term and interest rate, current balance, date payment due during the month, amount due during the month, amount received during the month and if applicable the date loan repaid in full (if repaid during that period) or the days the loan is past due at the end of the month.

(b) Review and Confirmation. Michigan Saves shall have the right to review and confirm the existence of and documentation for any Program Loan included in a Monthly Loan Report.

3. The Reserve Fund.

3.1 Reserve Fund. Michigan Saves agrees to designate a cash reserve on the Michigan Saves balance sheet (the "Reserve Fund") for the benefit of Lender and such other Participating Lenders as Michigan Saves may enter into agreements with from time to time. Michigan Saves will designate a portion of the Reserve Fund as the reserve fund balance available to Lender on the terms of this Agreement ("Lender's Reserve Fund Balance"). Lender's Reserve Fund Balance will be adjusted and administered as provided in this Agreement and shall be solely for the benefit of Lender as described in this Agreement. Lender's Reserve Fund Balance will be not be used for the benefit of any other lender. Lender will not have any rights to the reserve fund balances of other Participating Lenders.

3.2 Additions to Lender's Reserve Fund Balance. The initial Lender's Reserve Fund Balance shall be ten thousand dollars (\$10,000.00). This initial \$10,000 shall serve as an advance on the five percent (5.0%) contribution to the Lender's Reserve Fund Balance for the first \$200,000 of Program Loans. During the Lending Period and after Lender has made Program Loans totaling \$200,000 principal amount in the aggregate, within five (5) business days of receipt of the Monthly Loan Report, Michigan Saves will increase the Lender's Reserve Fund Balance by an amount equal to five percent (5.0%) of the principal amount of all new Program Loans made during that month and listed in the Monthly Loan Report (for those Program Loans in addition to the first \$200,000 aggregate principal amount). Michigan Saves

shall have no obligation to make additional contributions to the Lender's Reserve Fund Balance for any loans originated after the expiration of the Lending Period or after the Lender's Remaining Allocation has been contributed to the Lender's Reserve Fund Balance.

3.3 Reductions to Lender's Reserve Fund Balance.

(a) Losses paid to Lender. The Lender's Reserve Fund Balance shall be reduced by any and all amounts paid by Michigan Saves to Lender for Eligible Losses pursuant to Section 5 of this Agreement.

(b) Amortization of Program Loans. Each month, Lender's Reserve Fund Balance shall be reduced by five percent (5.0%) of the Aggregate Amortization Amount for the prior month as reported in the Monthly Loan Report.

(c) Repayment of Program Loans. Whenever a Program Loan is repaid in full at maturity or upon early repayment in full, the Lender shall notify Michigan Saves in writing in the Monthly Loan Report. If a Program Loan made during the Lending Period has been repaid or prepaid, then the Lender's Reserve Fund Balance shall be reduced by five percent (5.0%) of the repayment amount of the Program Loan which has been repaid or prepaid (to the extent not previously included Aggregate Amortization Amount pursuant to Section 3.3(b)).

3.4 Maximum Total Net Contribution. The aggregate contributions of Michigan Saves to the Lender's Reserve Fund Balance for all Participating Lenders over the term of this Agreement, net of any repayment to Michigan Saves pursuant to Section 3.3(b), Section 3.3(c) or Section 5.6, shall in no event exceed the "Maximum Total Net Contribution". The initial Maximum Total Net Contribution shall be \$3,422,956.81 million. When eighty percent (80%) of the Maximum Total Net Contribution has been contributed to the Reserve Fund, or such earlier date as determined by Michigan Saves in its sole discretion, Michigan Saves shall notify each Participating Lender by U.S. mail and e-mail of their remaining allocation of the Maximum Total Net Contribution (the "Lender's Remaining Allocation") available for contributing to the Lender's Reserve Fund Balance for loans in process and future loan origination since the end of the month of the Lender's most recent Monthly Loan Report preceding such notice. Michigan Saves will maintain available funds to enable it to contribute up to the Maximum Total Net Contribution according to the terms of this Agreement. The parties may by mutual written agreement change the amount of the Maximum Total Net Contribution at any time during the term of this Agreement.

3.5 Re-evaluation. The parties agree that the terms and conditions of the Reserve Fund have been established pursuant to certain assumptions agreed to by the parties concerning loan performance and default. Actual loan losses may be different than what the parties anticipate. If it appears to the parties after two years of administration of the Program and funding of the Reserve Fund that in fact the losses on the Program Loans are fewer in number or less in amount than were projected by the parties at the time of the execution of this Agreement, the parties may, but are not required to, agree upon a reduction in the amount of contribution that must be made by Michigan Saves to the Reserve Fund upon origination of each Program Loan.

4. Administration of the Reserve Fund.

4.1 Administration. Michigan Saves shall administer and invest the Reserve Fund (which includes Lender's Reserve Fund Balance) in accordance with the terms of this Agreement. Michigan Saves shall account for the Reserve Fund as a separate line on its balance sheet and shall maintain appropriate records related to that portion of the Reserve Fund which is the Lender's Reserve Fund Balance. Michigan Saves shall provide written confirmation to the Lender of the designation and amount of the Reserve Fund and the Lender's Reserve Fund Balance. The moneys designated by Michigan Saves as the Lender's Reserve Fund Balance within the Reserve Fund shall be held in a Michigan Saves depository account at an institution to be selected by Michigan Saves. Contributions made to the Reserve Fund on account of Lender shall be deposited jointly with contributions made on account of all Program Loans. The Lender's Reserve Fund Balance will be used solely for the purposes provided in this Agreement and the Requirements. Interest or other earnings on the Reserve Fund shall accrue to and be payable to Michigan Saves each calendar quarter. Michigan Saves will maintain records and accounts on the Lender's Reserve Fund Balance and commission an annual independent audit of its financial statements, which will all be available for reasonable inspection by the Lender. Michigan Saves will provide Lender with a monthly report of the balances of the Reserve Fund and the Lender's Reserve Fund Balance. Lender shall not have any lien on or pledge on any amount on deposit from time to time in the Reserve Fund (which includes the Lender's Reserve Fund Balance) or the proceeds thereof. Lender shall not be entitled or have any rights to the reserve fund balances of other Participating Lenders.

4.2 Payment upon Suspension of Operations. If Michigan Saves suspends all business operations for a period of thirty (30) days or more, then if Michigan Saves so elects or if Lender so requests in writing, Michigan Saves will make a "Final Payment" in cash to Lender. For purposes of this Agreement, Michigan Saves shall be considered to have suspended all business operations if and only if (a) Michigan Saves has filed a Certificate of Dissolution with the State of Michigan to dissolve itself, (b) the Board of Directors of Michigan Saves has been disbanded or has resolved to liquidate or dissolve Michigan Saves, (c) Michigan Saves has filed for bankruptcy, or (d) the Board of Directors of Michigan Saves has adopted and implemented a resolution mandating the cessation of all business operations. Michigan Saves shall give written notice of any such occurrence to Lender within five (5) business days of such event. That Final Payment will constitute a full and final satisfaction of all further obligations of Michigan Saves to Lender under this Agreement. The "Final Payment" shall be equal to the Lender's Reserve Fund Balance after all adjustments required by this Agreement have been made. Following the Final Payment, the Lender shall continue to track the Program Loans and the use of the Final Payment with respect to such Program Loans. When the Lender's last Program Loan has either been repaid or the Lender has recovered its Eligible Losses, then Lender shall refund to Michigan Saves (or its successors or assigns) any remaining amount of the Final Payment that was not used to pay Eligible Losses on Program Loans.

5. Recovery from the Reserve Fund.

5.1 Eligible Loss.

(a) Calculating Eligible Losses. Lender shall be entitled to payment from the Lender's Reserve Fund Balance on unrecovered losses on a Program Loan only after the loan is at least ninety (90) calendar days delinquent and only if Lender has exercised its best efforts to collect the Program Loan or bring the Program Loan current in a manner consistent with its practices for other unsecured loans that are not Program Loans. Lender may claim from the Lender's Reserve Fund Balance as unrecovered losses an amount equal to the Recovery Percentage multiplied by the sum of (a) the unpaid principal and (b) any unpaid interest on the Program Loan which it is legally entitled to (the amount equal to the Recovery Percentage multiplied by such sum shall be individually an "Eligible Loss" and collectively the "Eligible Losses"). As a result, Lender shall retain responsibility for a percentage of each delinquent Program Loan equal to one hundred percent minus the Recovery Percentage (the "Retention Percentage"). For example, if the Recovery Percentage is 80% then the Retention Percentage is 20%.

(b) The Recovery Percentage. The "Recovery Percentage" shall be 80% for Program Loans to borrowers who at the time of origination of the Program Loan have FICO scores of 680 or higher and the Retention Percentage shall be 20%. The Recovery Percentage shall be 70% for Program Loans to borrowers who at the time of origination of the Program Loan have FICO scores of 640 up to and including 679 and the Retention Percentage shall be 30%.

5.2 Claim for Recovery from Lender's Reserve Fund Balance. To claim an Eligible Loss and receive reimbursement from the Reserve Fund, the Lender shall submit to Michigan Saves a form provided by Michigan Saves, which is attached as Appendix C and incorporated into this Agreement, that includes (a) a written schedule itemizing the Eligible Loss claimed (the applicable Recovery Percentage multiplied by the unpaid principal and interest) and certifying that it is for a Program Loan that is at least 90 day delinquent, (b) a certification that the Lender has exercised its best efforts to obtain recovery against the borrower, and (c) a copy of the first Monthly Report from Lender that reported such Program Loan issued pursuant to Section 2.4 above.

5.3 Loss Recovery. Whenever Lender makes a claim consistent with the terms of this Agreement for an Eligible Loss from the Lender's Reserve Fund Balance as provided above, Lender shall be entitled to payment of the Eligible Loss up to but not in excess of the amount of Lender's Reserve Fund Balance (if and only if Lender's Reserve Fund Balance at that time is a positive number) at the time that such claim for an Eligible Loss is presented to Michigan Saves.

5.4 Timing of Payment. If the Lender makes a claim consistent with the terms of this Agreement for an Eligible Loss from the Lender's Reserve Fund Balance, Michigan Saves shall make payment to the Lender to the extent provided above, no later than fifteen (15) business days following the end of the month in which the claim is made.

5.5 Payments Limited to Reserve Fund. The aggregate liability of Michigan Saves to Lender shall not under any circumstances exceed the Lender's Reserve Fund Balance. The Lender does not have any additional recourse against Michigan Saves for Eligible Losses in excess of the Lender's Reserve Fund Balance at the time. The Lender acknowledges and agrees

that its losses on Program Loans may exceed the funds available in the Lender's Reserve Fund Balance. This Agreement is not a guarantee of the full amount of Program Loans. Except as explicitly provided in this Agreement, Michigan Saves is under no obligation to further contribute to or supplement the Lender's Reserve Fund Balance.

5.6 Subsequent Collection Activities. Lender agrees to use its standard process to collect any delinquent Program Loan, even after it has collected from the Lender's Reserve Fund Balance with respect to such Program Loan. For any recovery on a Program Loan, net of expenses, Lender shall retain an amount equal to the applicable Retention Percentage of such net recovery and an amount equal to the Recovery Percentage of such net recovery shall be paid to Michigan Saves and added to the Lender's Reserve Fund Balance.

6. Privacy and Information Security.

6.1 Confidentiality. Michigan Saves will use personally identifiable financial information provided in each Monthly Loan Report and other information provided by Lender for program management and evaluation purposes only, and will require all staff, affiliates, agents, and designees to treat the information as confidential unless otherwise required by law. Michigan Saves will disclose information in an anonymous form (with all personally identifiable information removed) only to the extent permitted by applicable laws and regulations (for example, where the consumer has consented). Michigan Saves agrees that it will not disclose any nonpublic personal information to any third party or use any nonpublic personal information it obtains from Lender, except as described in this Section 6.1 and consistent with all applicable laws and regulations. "Nonpublic Personal Information" shall mean personally identifiable financial information, and any list, description, or other grouping of consumers (and publicly available information pertaining to them) that is derived using any personally identifiable financial information, and as otherwise more specifically defined in Title V of the Gramm-Leach-Bliley Act.

6.2 Security Program. It is the intent of the parties to protect the privacy and confidentiality of nonpublic personal information of the Lender's customers obtained by Michigan Saves during the performance of this Agreement, and to comply with all regulations related to privacy, including but not limited to Title V of the Gramm-Leach-Bliley Act and the respective Privacy of Consumer Financial Information regulations issued by the National Credit Union Association (NCUA) and the Federal Deposit Insurance Corporation (FDIC), in each case to the extent applicable. Michigan Saves agrees to maintain the confidentiality of nonpublic personal information of the Lender's customers as required by applicable laws and regulations, and specifically agrees to implement appropriate measures designed to meet the objectives of (1) NCUA Rules and Regulations Part 748 and its Appendices A and B, and (2) the Interagency Guidelines Establishing Information Security Standards.

6.3 Security Breach Disclosure. As soon as possible, Michigan Saves shall fully disclose to Lender any breach in security resulting in unauthorized intrusions into its systems that may materially affect Lender or its members or customers. Michigan saves shall report to Lender when such intrusions occur, the effect on Lender, and corrective action taken to respond to the intrusion.

6.4 Disposal of Confidential Information. Michigan Saves acknowledges that it is subject to Part 682 of Title 16 of the Code of Federal Regulations (16 CFR 682), the FTC's Disposal of Consumer Report Information and Records Rule. Michigan Saves agrees to implement policies and procedures designed to protect against unauthorized or unintentional disposal of consumer information and disposal of such information in accordance with the provisions specified in 16 CFR 682.3(b)(1) and 682.3(b)(2), including any revisions of those regulations.

7. General Terms and Conditions.

7.1 Liability Limitation. Neither the State of Michigan, Michigan Saves, nor any officer, director, employee, agent or agency of the State of Michigan or Michigan Saves shall be liable or responsible for any action taken or omitted by the State of Michigan or Michigan Saves hereunder in good faith and in the reasonable belief that such action taken or omitted is authorized or within the discretion or rights or powers conferred by this Agreement. Neither the State of Michigan nor Michigan Saves shall be under any obligation or duty to perform any act which would involve it in expense or liability or to advance any of its own money unless expressly provided herein. Michigan Saves and the State of Michigan shall be fully protected in acting upon any notice, consent, statement, opinion or other paper or document provided by Lender.

7.2 Dispute Resolution. Any dispute related to this agreement shall first be submitted for nonbinding mediation before a third party neutral person. In the event any such mediation proceeding does not resolve this matter within forty five (45) days of the date it is submitted for mediation, then the parties agree that such dispute shall be resolved by binding arbitration pursuant to the commercial arbitration rules of the American Arbitration Association. Such arbitration shall be conducted in Ingham County, Michigan by an arbitrator mutually agreed upon between the parties, except that if they are unable to agree upon the selection of a single arbitrator within twenty five (25) days of the date the above referenced forty five (45) day mediation period expires, then such arbitration shall be conducted by three arbitrators, one selected by Michigan Saves, one selected by the Lender, and the third selected by the arbitrators chosen by Michigan Saves and the Lender. The award rendered by the arbitrators shall be final and binding upon the parties hereto, without appeal, and the cost of arbitration shall be apportioned as the arbitrators deem appropriate. Judgment on the award may be entered in any court of competent jurisdiction. No party shall have the right to commence or maintain any lawsuit or legal proceeding concerning a dispute hereunder until the dispute has been addressed by the arbitrators in accordance with the arbitration provisions of this paragraph and any lawsuit or legal proceeding may be maintained only in connection with enforcing the award rendered in the arbitration proceeding. Notwithstanding the foregoing, Michigan Saves shall not be deprived of its right to obtain injunctive or other equitable relief under this letter agreement in order to enforce the confidentiality provisions set forth above, without first resorting to the mediation and/or arbitration procedure set forth above in this paragraph.

7.3 Expenses. The expenses incurred by each party hereto incident to the execution, delivery and performance by each party under this Agreement, unless expressly provided herein, shall be paid for by each party.

7.4 Amendment. This Agreement may be amended at any time and from time to time by one or more writings executed by all parties hereto.

7.5 Notices. All notices shall be delivered or mailed, certified mail, to:

Terri Schroeder	_____	(Name)
Operations Manager	_____	(Title)
Michigan Saves	_____	(Lender)
600 W. Saint Joseph St., Suite 10	_____	
Lansing, MI 48933-2265	_____	

7.6 Severability. In case any one or more of the provisions in the Agreements are invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall be not be affected thereby.

7.7 Governing Law. This Agreement shall be construed in accordance with the laws of the State of Michigan.

7.8 Counterparts. This Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto were upon the same instrument.

7.9 Independent Parties. This Agreement shall not be deemed to constitute the parties as partners or joint venturers, nor shall any party be deemed to constitute the other party as its agent.

7.10 Successors and Assigns. This Agreement shall be binding on the parties' successors and assigns provided that this Agreement shall not be assigned by Lender without the prior written consent of Michigan Saves.

[signatures appear on the following page]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as a sealed instrument by their respective authorized officers or representatives as of the date and year first above written.

Michigan Saves, Inc. -

By: _____

Print name: _____ -

Its: _____

Hereunto duly authorized -

Lender: _____

By: _____

Print name: _____ -

Its: _____

Hereunto duly authorized

APPENDIX A

Michigan Saves Home Energy Loan Program: Requirements for Lenders



Michigan Saves Home Energy Loan Program: *Requirements for Lenders*

PURPOSE

Under the Michigan Saves Home Energy Loan Program, financial institutions volunteer to offer the Michigan Saves Loan, which is an energy efficiency loan product for homeowners that is backed by a loss reserve from Michigan Saves (referred to hereafter as a Michigan Saves Loan). To participate, lenders will be required to enter into a separate Michigan Saves Loan Loss Reserve Fund Agreement and meet certain program requirements. By doing so, authorized lenders will receive the concomitant program benefits. The purpose of this document is to describe these requirements and benefits.

BACKGROUND

The Michigan Saves Organization

Michigan Saves is a nonprofit organization dedicated to making energy improvement easy and affordable for all types of Michigan energy consumers—businesses, schools, municipalities, and residents. To do this, Michigan Saves will leverage third-party capital with innovative credit enhancement mechanisms, work closely with energy efficiency and renewable energy system contractors, coordinate with similar programs in the state and across the country, and monitor the program to track results and ensure success.

The organization is staffed by Public Sector Consultants and its partner, The Delta Institute. For more information and updates on Michigan Saves, including financing options for other customer types, visit www.michigansaves.org.

Summary of Michigan Saves Home Energy Loan Program

Under the Michigan Saves Home Energy Loan Program, the primary marketing vehicle and initial point of contact for customers will be a network of Michigan Saves authorized contractors. Customers can choose energy-saving or renewable energy measures either from a list developed by Michigan Saves (à la carte eligible measures option) or recommendations made by a certified professional that has performed a home energy audit (audit-based full response option). See the Residential Program Offerings Summary for more details about the Michigan Saves program offerings and qualifying improvements.

Once customers have selected the energy-saving home improvement(s) they wish to have installed in their home, they will be given the option of applying for the Michigan Saves

Home Energy Loan. The Michigan Saves Home Energy Loan is an unsecured personal loan between \$1,000 and \$20,000 (some lenders cap loans at \$15,000) with a maximum interest rate of 7.0 percent (Michigan Saves may adjust the maximum rate semi-annually or more frequently if market conditions change). The loan term is one year for every \$1,000 and terms may extend up to 120 months for loans of \$5,000 and more (borrowers may select shorter terms and there is no pre-payment penalty). Michigan Saves Home Energy Loans are made directly by authorized lenders. Loan applications are taken by the Michigan Saves Loan Application Center via the Web or phone or directly by the lender. Customers make loan payments to the lender or through authorized utilities. Michigan Saves is offering a credit enhancement to lenders in the form of a loan loss reserve. Loans must satisfy Michigan Saves criteria to be considered Michigan Saves Home Energy Loans eligible for consideration in the reserve fund described below.

PROGRAM REQUIREMENTS FOR LENDERS

To become a Michigan Saves authorized lender and offer the Michigan Saves Home Energy Loan, lenders must enter into a separate Michigan Saves Loan Loss Reserve Fund Agreement and satisfy the program requirements outlined below. Michigan Saves reserves the right to amend these requirements at its discretion from time to time by notifying authorized lenders of the amendment.

These requirements include standards for a loan to be eligible for inclusion in the loan loss reserve program. The program and these requirements do not restrict in any way a lender's loans outside of the program. Each lender independently determines what interest rate and other terms to offer, subject to the program's requirements. Each lender makes its own underwriting decisions and is responsible for legal compliance for every loan it makes.

Loan Type and Amount

Michigan Saves Home Energy Loans must be unsecured personal loans between \$1,000 and \$20,000. Customers may apply for multiple loans. The total amount borrowed by any individual cannot exceed \$20,000.

Eligible Properties and Improvements

Michigan Saves Home Energy Loans can only finance eligible energy-saving home improvements in single-family residences. Homes that are occupied by a family member of the owner rather than the owner, and secondary homes used for recreational purposes, are also eligible. Any property not occupied by the owner and for which the owner receives rent from the resident, whether a relative or not, is not eligible for funding. Multiple-family residences with 1–4 units where one unit is owner-occupied are also eligible. Eligible home improvements are limited to those identified by Michigan Saves authorized contractors. For more information about the improvements these contractors

are authorized to offer customers and the process, please see the *Michigan Saves Home Energy Loan Program: Eligible Upgrades and Installation Summary*.

Loan Application Process

We expect that many homeowners will learn about the Michigan Saves Home Energy Loan Program from contractors authorized by Michigan Saves. In some cases, customers will seek these contractors. Authorized contractors and lenders may promote the Michigan Saves Home Energy Loan through marketing material (see Promotion and Marketing section below). Regardless of the flow of contact between a customer and authorized contractors and lenders, the loan application process remains the same. (See Michigan Saves Process Flowchart for a flow chart depicting how customers enter the program, work with contractors, and obtain financing.)

Step 1: Customer works with a Michigan Saves authorized contractor to identify qualifying energy efficiency improvements. A list of authorized contractors is available at www.michigansaves.org. A customer can choose from the Michigan Saves à la carte eligible measures or audit-based full response program options (described above).

Step 2: The customer submits loan application through the Michigan Saves Loan Application Center (via the Web or phone) or directly to one of the Michigan Saves authorized lenders. The contractor can walk the customer through this process at the customer's request. Within seconds of completing the application, applicants are told whether or not they are approved (see Loan Origination section below for more detail).

Step 3: Contractor works with approved customer to finalize the work plan based on the customer's needs and approved loan amount.

Step 4: The contractor installs the equipment according to the work plan and the contract with the customer. If an energy audit was performed, a "test out" procedure would also be conducted to ensure that the improvements were installed properly. As necessary, the work plan could be modified to address any health and safety issues identified during the installation process or the test-out procedure.

Step 5: After installation and, as applicable, the test-out procedure, the contractor obtains the customer's signature on a certificate of completion provided by Michigan Saves and submits the signed certificate to the lender. This triggers payment to the contractor (see Loan Closing and Servicing section below for more detail).

Step 6: The customer repays the loan via direct billing by the lender unless a utility serves as the billing agent under an agreement with the authorized lender.

Interest Rates

The interest rate on a Michigan Saves Home Energy Loan must not exceed a maximum of 7.0 percent per annum. Authorized lenders may offer lower interest rates. Michigan Saves intends to review the maximum interest rate semi-annually in light of market conditions at the time (or more frequently if conditions change) and reserves the right to adjust the maximum interest rate for future loans.

Michigan Saves Home Energy Loans have a fixed rate with no prepayment penalty.

Note: Michigan Saves prefers that customers choose the audit-based full response option over the à la carte eligible measures option. To encourage this, the loan product has loans with longer terms for larger loan amounts to reduce monthly payments (almost all audit-based projects will require larger loans). In addition, Michigan Saves is coordinating with other utility-, state-, and federally-sponsored programs that are offering rebates and other incentives that encourage the audit-based approach.

Length of Loan

For loans up to \$4,999, a loan term of 12 months for every \$1,000 must be offered. For loans \$5,000 and more, a loan term of 120 months must be offered. Lenders can offer and borrowers can select shorter terms.

Credit Enhancement

Michigan Saves is providing a credit enhancement for Michigan Saves Home Energy Loans made by authorized financial institutions. For each eligible loan made by an authorized lender, Michigan Saves will contribute to a loan loss reserve fund an amount equal to 5.0 percent of the loan amount. Michigan Saves will designate on its balance sheet a separate loss reserve fund balance for each authorized lender. Each lender's reserve fund balance will be used solely for the benefit of the lender to which it belongs. Michigan Saves will provide an advance on the 5.0 percent contribution to each authorized lender's loss reserve for the first \$200,000 in loans.

Lenders will have access to their loss reserve fund when a loan is at least 90 days delinquent. For loans made to borrowers with FICO scores of 680 or higher, the lender can claim 80 percent of unpaid loan principal and accrued interest. For loans made to borrowers with FICO scores of 640 to 679, the lender can claim 70 percent of unpaid loan principal and accrued interest.

Michigan Saves has a total of \$3,422,597 in the aggregate for establishing reserves for authorized lenders. When 80 percent of the total available funds have been allocated to specific lender reserve accounts, Michigan Saves will inform each lender of the maximum reserve funds available for that lender's pending and future loans.

Each lender's credit enhancement is limited to that lender's reserve fund balance and is not a loan guaranty. See the Michigan Saves Loan Loss Reserve Fund Agreement for exact terms and conditions of the loss reserve. Lenders will be required to sign this agreement to participate in the program. If there is any conflict between these requirements and the Loan Loss Reserve Fund Agreement, the Loan Loss Reserve Fund Agreement will control.

Loan Origination

Michigan Saves has contracted with a lending support service provider to serve as the Michigan Saves Loan Application Center, which includes performing the following functions:

- Verifying that the contractor performing the work being financed by the loan is Michigan Saves authorized

- Obtaining consent from borrowers for lender, contractor, and utility company to disclose to Michigan Saves relevant customer-specific information about the improvements made, financing provided, and pre- and post-installation energy savings
- Helping potential borrowers select a loan provider from authorized lenders, which will include quickly identifying among all authorized lenders (1) lenders with which the borrower already has a financial relationship and (2) lenders from which the borrower is eligible to get a loan
- Facilitating satisfying the loan requirements of the selected lender, including new member/customer enrollment, new account establishment, and funding of account(s)
- Confirming compliance with Michigan Saves program requirements and any other more stringent standards set by authorized lenders
- Communicating loan approval immediately (within minutes or even seconds) upon receiving the loan application submission via Web or phone
- Providing the contractor the name and address of the lender to which they must send the Michigan Saves Certificate of Completion to receive payment
- Transmitting loan applications electronically to appropriate financial institution for processing

Note: Lender should be aware that some of the sales that will be financed with Michigan Saves Loans will have been initiated by a contractor and, therefore, subject to the Michigan Home Solicitation Act. For these sales, the customer has a right to cancel any time prior to midnight of the third business day after the date of the sale.

Loan Closing and Servicing

Once loan origination is complete, the lender will close the loan through the mail or electronic means. Payment to the contractor will not occur until the work is completed and the borrower has signed a Michigan Saves Certificate of Completion. This certificate will contain information about the improvements that were made in the home and certify that the borrower is satisfied with the completed work and consents to share certain information with Michigan Saves. The contractor will submit the signed form to the appropriate lender, triggering payment to the contractor.

The lender will service the loan. If a Michigan Saves authorized lender and the borrower's utility agree, the utility can serve as the servicing agent.

Promotion and Marketing

Lender will assist in marketing the Michigan Saves Loan to potential customers, including referring to the loan product as the Michigan Saves Home Energy Loan and including the Michigan Saves logo and approved language on all marketing materials. A brand standards guide and marketing tool kit, including customizable rack cards, billing inserts, and other promotional pieces, will be made available to all authorized lender.

Contractor Reserves

Authorized lenders may not offer contractor reserves or other incentives or rewards to contractors that encourage authorized contractors to promote one authorized financial

institution over another. Lenders may compete by offering special incentives to customers, such as a reduced rate, coupon, or other offer. Lenders may advertise services to contractors, such as accepting a lower credit score, or rapid payment once the certificate of completion is received.

Fees

As a prerequisite to program participation, lenders are required to enter into a separate agreement with a central lending support service provider chosen by Michigan Saves. Authorized lenders agree to pay all applicable fees agreed to in the central lending support service provider agreement, although Michigan Saves may work with the lender to defray the cost of the fees.

To maintain and monitor the network of contractors promoting the financing, Michigan Saves is assessing authorized contractors a fee of 1.99 percent of the loan value, upon loan closing. Lenders have the option to help both Michigan Saves and authorized contractors reduce administrative costs by withholding the 1.99 percent fee from the checks sent to contractors. This is viewed as a service to contractors and will be posted on the Michigan Saves website.

The Certificate of Completion and the Contractor Agreement contain language to which the contractor signs that grant the lender permission to withhold the 1.99 percent fee for Michigan Saves.

Should a Lender wish to provide this service, the Lender must perform the following:

- Notify Michigan Saves of the intent to perform this service
- Determine how the fees collected will be remitted to Michigan Saves (either as a monthly payment or deposited the money in an account at the participating institution held by Michigan Saves).
- Lender should consider adding language to the check sent to the contractor to indicate that the 1.99 percent fee has been removed.

Reporting

All authorized lenders are required to submit a monthly report using the Michigan Saves reporting template or other format compatible with Michigan Saves' data upload procedure. The template is simply an excel spreadsheet that requests the following fields:

For loans originated by the lender directly:

Date application received (mm/dd/yyyy)
MI Saves Contractor ID
FICO score

For all loans:

Loan Date (mm/dd/yyyy)	Term (Mos.)
Borrower Last Name	Current Balance (\$0.00)
Borrower Phone (xxx-xxx-xxxx)	Payment due (mm/dd/yyyy)
Borrower Street Address (number, street, apt. no., city)	Amount due (\$0.00)
Original Balance (\$0.00)	Amount received (\$0.00)
Interest Rate (%)	Repaid in Full (Date)
	Past Due (Days)

Reports must be submitted in electronic format within ten days following the end of the month. Loans that are not reported to Michigan Saves within 60 days of loan closing **will not** be considered program loans, and will not be eligible for recovery through the loss reserve.

Reports should be submitted through an online transfer service that provides greater security than e-mail. **Do not e-mail the report.** To submit the report securely, follow these steps:

- Go to www.michigansaves.org.
- Click on **Submit Forms** in the extreme lower left of the screen. (You will be directed to the PSC secure file upload center.)
- Click on the **Secure Upload** button.
- Enter **forms@michigansaves.org** in the recipient e-mail box provided.

Underwriting Criteria and Loan Product Summary

To be eligible to participate in the program, Michigan Saves Loans must satisfy minimum underwriting standards established by Michigan Saves. These standards, along with the other loan product details described above, are outlined in the following table. Each lender sets its own underwriting criteria within these guidelines and makes its own decision about which loans to approve.

Loan Product Details	Structure/Minimum Standards
Loan type	Unsecured
Eligible improvements	Energy-saving home improvements recommended by a Michigan Saves–authorized contractor.
Loan amounts	\$1,000 to \$20,000.
Loan term	For loan amounts up to \$5,000, 12 months per \$1,000. For loan amounts \$5,000 to \$20,000, lengths up to 120 months. Borrowers can select shorter terms.
Loan rates	Not to exceed 7.0% per year or such other rate as Michigan Saves may determine on a semi-annual basis. Lenders may offer rates below 7.0%. Fixed rate with no prepayment penalty.
Eligible properties	Single-family (1-4 unit) homes, primary residence or not used as income property.
Credit scores	
Minimum FICO (credit score)	Minimum 680 (if there are multiple borrowers, the lower score, regardless of income, must be used for qualification). Lenders have the option of approving loans with FICOs of 640 to 679, but the amount claimed from lender’s reserve fund would be less (70 percent of loss vs. 80 percent for a score of 680 or more). Each lender may set more stringent underwriting criteria.
Bankruptcy, foreclosure, repossession	None in at least the last 4 years (nothing opened, must be settled).
Unpaid collection accounts	No more than \$1,000, excluding medical collections
Credit scores (cont.)	
Judgments and tax liens	Must be paid or in repayment
Lenders make all final underwriting decisions. Loans may be approved, declined, or subject to further review if underwriter determines that FICO score or other factors are inconsistent with actual credit profile.	
Income verification requirements	
Income verification is not required when the loan amount is less than \$4,000 OR for any loan amount if the FICO is 720 or greater OR at the underwriter’s discretion. When income verification is required (i.e., the loan amount is \$4,000 or more and the FICO is less than 720 OR at the underwriter’s discretion) the following income verification is required:	
Salaried employment income	<ul style="list-style-type: none"> • One pay stub with YTD earnings dated within 30 days of the application.
Retirement income	<ul style="list-style-type: none"> • Award/benefit letter for SSI or pension showing income amount, payment frequency, and start and end dates or • A copy of a bank statement showing direct deposit of retirement income.
Self-employment income	<ul style="list-style-type: none"> • Two most recent federal income tax returns (first two pages of 1040) plus Schedule C, if applicable.

Loan Product Details	Structure/Minimum Standards
Other income (if applicable)	When income other than primary income is being used to qualify for the loan, such as rental, alimony, or investment income, verification is required.
Debt to Income Ratio	
Total monthly obligations	<ul style="list-style-type: none"> • Any loan that has a remaining term of less than six months may be excluded from the calculation. • When revolving accounts do not show a minimum payment, use the greater of 3% per month or \$10. • Real estate taxes and homeowners insurance (if not included in the mortgage payment) must be included in ratio.
Total monthly obligations to total monthly income	<ul style="list-style-type: none"> • All qualifying FICO scores – 50% or less

PROGRAM REQUIREMENTS CHECKLIST

This checklist is provided to assist lenders in complying with the Michigan Saves Home Energy Loan Program Lender Requirements. Using the Michigan Saves Loan Application Center will ensure that the loan product, underwriting, and application process requirements are met. Lenders that accept loan applications directly (i.e., not through the application center) must ensure all of the following requirements are met.

Loan Product

Offer a loan product that meets the following guidelines:

1. _____ Unsecured loan
2. _____ Amount between \$1,000 and \$20,000
3. _____ Fixed maximum interest rate of 7.0 percent (lender can offer a lower rate)
4. _____ Term of at least one year for every \$1,000; terms extend up to 120 months for loans of \$5,000 and more (borrower can opt for a shorter term)
5. _____ No pre-payment penalty
6. _____ Properties eligible are single family homes up to four units occupied by the owner or a relative of the owner, and not used by the owner to generate income

Underwriting Standards

7. _____ FICO is 680 or higher (lenders have the option of offering loan to borrowers with FICO's as low as 640)
8. _____ No bankruptcy, foreclosure, or repossessions in the last four years
9. _____ No more than \$1,000 in unpaid collection accounts, excluding medical collections
10. _____ Judgments and tax liens must be paid or in repayment
11. _____ Verify income if the loan amount is over \$4,000 and the borrower's FICO is lower than 720 using the following:

- Salaried employment income: One pay stub with YTD earnings dated within 30 days of the application.
 - Retirement income: Award/benefit letter for SSI or pension showing income amount, payment frequency, and start and end dates or a copy of a bank statement showing direct deposit of retirement income.
 - Self-employment income: Two most recent federal income tax returns (first two pages of 1040) plus Schedule C, if applicable.
 - Other income (if applicable): When income other than primary income is being used to qualify for the loan, such as rental, alimony, or investment income, verification is required.
12. _____ Total monthly obligations to monthly income ratio of 50 percent or less. Any loan that has a remaining term of less than six months may be excluded from the monthly obligation calculation. When revolving accounts do not show a minimum payment, use the greater of 3 percent per month or \$10. Real estate taxes and homeowners insurance (if not included in the mortgage payment) must be included in ratio.

Application Process

13. _____ Verify that the contractor performing the work being financed by the loan is a Michigan Saves Authorized Contractor (check [latest](#) contractor contact sheet supplied by Michigan Saves).
14. _____ Notify borrower of requirement to provide consent for lender, contractor, and utility company to disclose to Michigan Saves relevant customer-specific information about the improvements made, financing provided, and pre- and post-installation energy savings. (This authorization is signed by customer as part of the Certificate of Completion.)
15. _____ Communicate loan decision immediately (within minutes or even seconds) upon finishing the loan application process.
16. _____ Provide the contractor with lender's name and address so that contractor can send the Michigan Saves Certificate of Completion.

Loan Closing

17. _____ Close loan by mail or electronic means, unless borrower lives within 20 miles of a branch office.
18. _____ Release check to contractor upon receipt of Michigan Saves Certificate of Completion, which includes signature of both contractor and borrower.

Reporting

19. _____ Submit lender monthly report to Michigan Saves by the tenth calendar day following the end of the month.

APPENDIX B
Certificate of Completion



Certificate of Completion

Customer Name	Contractor
---------------	------------

Notice to Customer: You must sign and give this certificate to the contractor when the work is final and completed to your satisfaction as a condition of payment to the contractor.

Completion of Work

I certify that:

- Each and every one of the property improvements listed on the attached Michigan Saves Specification Sheet has been completed in accordance with the contract and the cost estimate; and
- I have reviewed each of the improvements and the work is to my satisfaction.

I understand that the selection of the lender and the contractor and the acceptance of the materials used and the work performed is my responsibility, and that Michigan Saves and its directors, officers, and agents and the lender do not guarantee the performance, quality, or workmanship of the property improvements. I understand that my loan will be directly from the lender I have selected, and not Michigan Saves. I authorize the lender to disburse the loan proceeds to the contractor.

Release of Information

Michigan Saves, including its officers, directors, employees, affiliates, agents, or designees, has received and will receive information about me related to the work performed on my property and use that information to serve customers more efficiently and effectively. Michigan Saves will use this information for program management and evaluation and treat the information as confidential unless otherwise required by law. Notwithstanding anything to the contrary:

- I authorize my contractor and lender to share information with Michigan Saves, including contract information, data on work performed and equipment installed, information regarding my loan, and other information relating to or arising from participation in the Michigan Saves program.
- I also authorize my electric and natural gas utilities listed on the Michigan Saves Specification Sheet to disclose to Michigan Saves my energy consumption information for the period covering two years prior to and two years after the date of my signed Michigan Saves Certificate of Completion. I hereby release and hold harmless Michigan Saves, my electric and gas utilities, their agents, directors, employees, shareholders, and affiliates from all claims arising in connection with the release of my energy consumption information.
- I understand that Michigan Saves or its designee may contact me to evaluate the program, including asking me to complete a customer satisfaction survey and/or conducting an on-site inspection at my home to assess the installation of the property improvements financed under the Michigan Saves loan program. The satisfaction survey and on-site inspection are voluntary.
- Michigan Saves will not release any personal identifying information for marketing or other purposes without my express written consent and will not sell my information to third parties. For all other uses, Michigan Saves will only release information in an anonymous and aggregated form with all personal identifying information removed.

Signature of customer	Print Name	Date
Signature of co-applicant, if applicable	Print Name	Date
Signature of utility account holder <small>(if different from above)</small>	Print Name	Date

Contractor Certification

Notice to Contractor: Completion of this form is a condition of payment to the contractor. Any contractor who knowingly submits false information may be subject to penalties under perjury and shall be subject to the imposition of civil money penalties. Incomplete and inaccurate forms may result in delay or denial of payment under this program.

I, the undersigned contractor, certify that: (1) The property improvements are in accordance with the Michigan Saves Specification Sheet furnished to the customer and are qualifying improvements under the Michigan Saves program; (2) the property improvements have been completed in accordance with the contract or cost estimate and to the satisfaction of the customer; (3) the customer, co-applicant (if applicable) and utility account holder (if different), signed this certificate after final completion of the property improvements, and all signatures on this certificate are genuine; (4) in consideration of the disbursement of the loan proceeds I hereby waive and release the right to claim a lien for labor, services, or materials furnished to the customer with regard to the property improvements; (5) the property improvements were installed in accordance with Michigan Saves guidelines and applicable laws, regulations, and ordinances including, but not limited to, the Michigan Residential Building Code; (6) I have complied with the requirements of Michigan's Construction Lien Act; (7) all appliances and other equipment removed through this program have been disabled, taken out of service permanently, are not being reused, and to the best of my knowledge, have been recycled or disposed of in accordance with local, state, and federal laws, codes, and ordinances. I take full responsibility for being aware of any applicable laws, codes, or

Signature of contractor representative	Print Name and Title	Date
--	----------------------	------

The contractor is responsible for sending original signed form and specification sheet to Michigan Saves. However, if customer is using Michigan Saves financing, send original signed form and specification sheet to lender with copy to Michigan Saves.

Lender Name and Address

--

APPENDIX C

Program Invoice Form for Claim Against Loss



CONFIDENTIAL - The information entered on this form is confidential information that is intended only for the appropriate staff of the lender or Michigan Saves. It should be used for no purpose other than reporting to Michigan Saves.

Easy. Affordable. Smart.

Energy Audit Rebate Request Form

Use this form to submit an eligible loss claim to Michigan Saves for reimbursement from your institution's loss reserve fund according to the terms and procedures set forth in the Michigan Saves Loan Loss Reserve Fund Agreement. Add rows as necessary. This form must be accompanied by a copy of the first monthly report from your institution in which each delinquent Program Loan claimed on this form is recorded as delinquent. You may submit this form, with signature and required monthly reports, by regular mail or you may scan and submit via a simple online FTP transfer.

Submit by mail:

Michigan Saves
Attn: Terri Schroeder
600 W. St. Joseph Street, Ste. 10
Lansing, MI 48933

Submit securely online:

1. Go to www.michigansaves.org.
2. Click on **Submit Forms** in the footer of the Website (You will be directed to the PSC secure file upload center.)
3. Follow the instructions to securely submit forms

Lender
Period of Report
Date Report Issued

Borrower Street Address (Exactly as recorded in monthly reports)	Current Balance	Days Past Due	Unpaid Principle	Unpaid Interest	Recovery Percentage (80% or 70% depending on FICO)	Amount of Claim
	\$ -		\$ -	\$ -		\$ -
	\$ -		\$ -	\$ -		\$ -
	\$ -		\$ -	\$ -		\$ -
	\$ -		\$ -	\$ -		\$ -
	\$ -		\$ -	\$ -		\$ -
	\$ -		\$ -	\$ -		\$ -
	\$ -		\$ -	\$ -		\$ -
	\$ -		\$ -	\$ -		\$ -
	\$ -		\$ -	\$ -		\$ -
	\$ -		\$ -	\$ -		\$ -

I, the undersigned lender, certify that: (1) this claim is for a Program Loan that is at least 90 days delinquent, (2) my financial institution has exercised commercially reasonable efforts to obtain recovery against the borrower, and (3) my financial institution will use its standard process to collect on this Program Loan and I understand that, for any recovery net of expenses, we shall retain an amount equal to the applicable Retention Percentage of such net recovery and an amount equal to the Recovery Percentage of such net recovery shall be paid to Michigan Saves and added to my reserve fund balance.

Lender Representative, Title

Date