

Aggressive Underwriting and Smart Program Delivery

U.S. DOE Better Buildings Neighborhood Program Workshop

Residential Energy Efficiency Solutions: From Innovation to Market Transformation

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New York State Energy Research and Development Authority

Background

Green Jobs-Green New York Act of 2009 (Oct 2009)

Established revolving loan fund and innovative financing mechanisms to provide loans to finance energy efficiency improvements for:

- Residential 1-4 family dwellings (up to \$25,000)
- Multifamily buildings (program limit \$5,000/unit or \$500,000 per building)
- Small business (<101 employees) and not-for-profit structures (up to \$50,000)

Power NY Act of 2011 (Aug 2011)

Established statewide on-bill recovery financing program

Funding

- \$112 million RGGI proceeds, including revolving loan fund comprised of:
 - Residential \$26.7 million
 - Multifamily \$11.3 million
 - Small Commercial/NFP \$13.3 million
 - \$51.3 million
- U.S. Dept of Energy Better Buildings Grant (\$40 million)
 - \$9.3 million approved for loan loss/debt service reserve

Residential Loan Terms

Loan Type	Unsecured Loan	On-Bill Recovery Loan
Borrower eligibility	Owner or lessee	Owner and must be named on the utility account of one of the 7 participating utilities
Loan Amount	Up to \$13,000; \$25,000 if payback period is 15 years or less	
Loan Term	5, 10, or 15 years; term may not exceed expected useful life of measures	
Interest Rate	3.99%; 3.49% if repaid through automatic ACH payment	2.99%
Repayment Terms	<ul style="list-style-type: none"> • Repaid through monthly statement billing or ACH payment. • Borrower responsible for satisfaction upon sale or transfer of property 	<ul style="list-style-type: none"> • Repaid through charge on utility bill • Declaration signed by borrower and filed like mortgage (not a lien or mortgage – provides notice to subsequent purchaser through title search) • Remaining obligation may be assumed by purchaser upon sale of property. • Nonpayment subjects the borrower to termination of utility service.

Loan Underwriting Funding Approach

Tier1 loans

- Traditional FNMA standards
- Aggregated and financed through capital markets

Tier2 loans

- Originated using alternate loan underwriting criteria
- Loans held in revolving loan fund
- Monitor loan performance 2-3 yrs, then added to pool of loans financed through capital markets with good performance

No difference in interest rate or other terms between loan tiers

Residential Loan Underwriting Standards

Standard	“Tier 1” Loans	“Tier 2” Loans
Minimum FICO or alternate	640 (680 self-employed 2yrs+) (720 self-employed <2yrs)	<ul style="list-style-type: none"> • Current on all energy bills for at least 2 consecutive billing periods during each of the last 2 years • Current on any and all mortgage payments for the last year • No payments more than 60 days late for last 2 yrs
Debt-to-Income ratio	Up to 50%	<ul style="list-style-type: none"> • Up to 55% • Up to 70% if FICO score of 680+ • Waived for applicants who qualify for Assisted Home Performance with ENERGY STAR subsidy (50% of work, up to \$5,000) - household income < 80% State/area median income
Bankruptcy	No bankruptcy, foreclosure, or repossession within last 7 yrs	No bankruptcy, foreclosure, or repossession within last 5 yrs
Judgments	No combined outstanding collections, judgments or tax liens > \$2,500	

Residential Loan Portfolio Status 5/31/2012

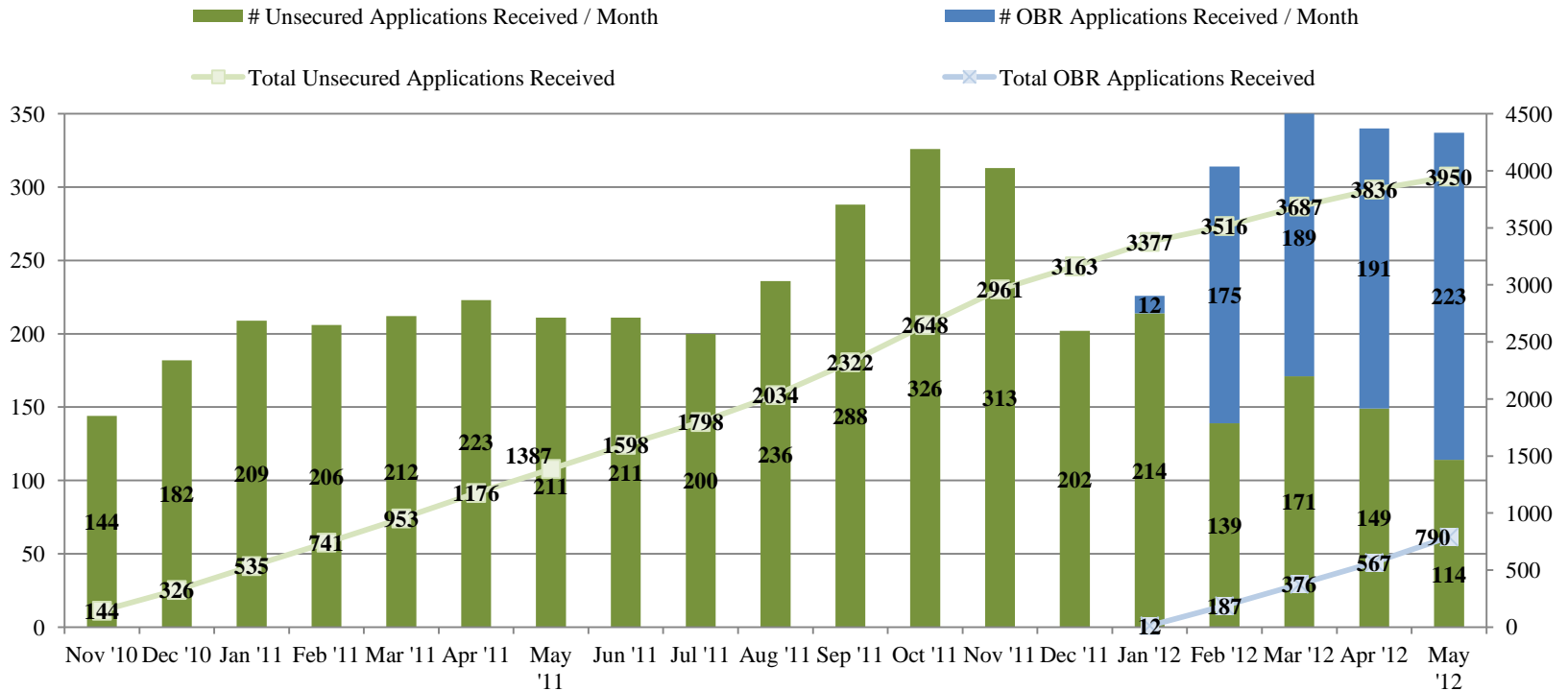
Applications Status

<u>Status</u>		
Approved	2,839	65%
Denied	1,201	27%
Didn't pursue Tier2	<u>356</u>	<u>8%</u>
Total	4,396	100%

<u>Reason for Denial</u>		
Debt Ratio	627	40%
Credit Score	433	28%
Bankruptcy, foreclosure, repossession	249	16%
Collections, judgments, charge-offs	214	14%
Other	<u>34</u>	<u>2%</u>
Total	1,557	100%

GJGNY Residential Financing Application History

Green Jobs-Green New York Financing Applications Received



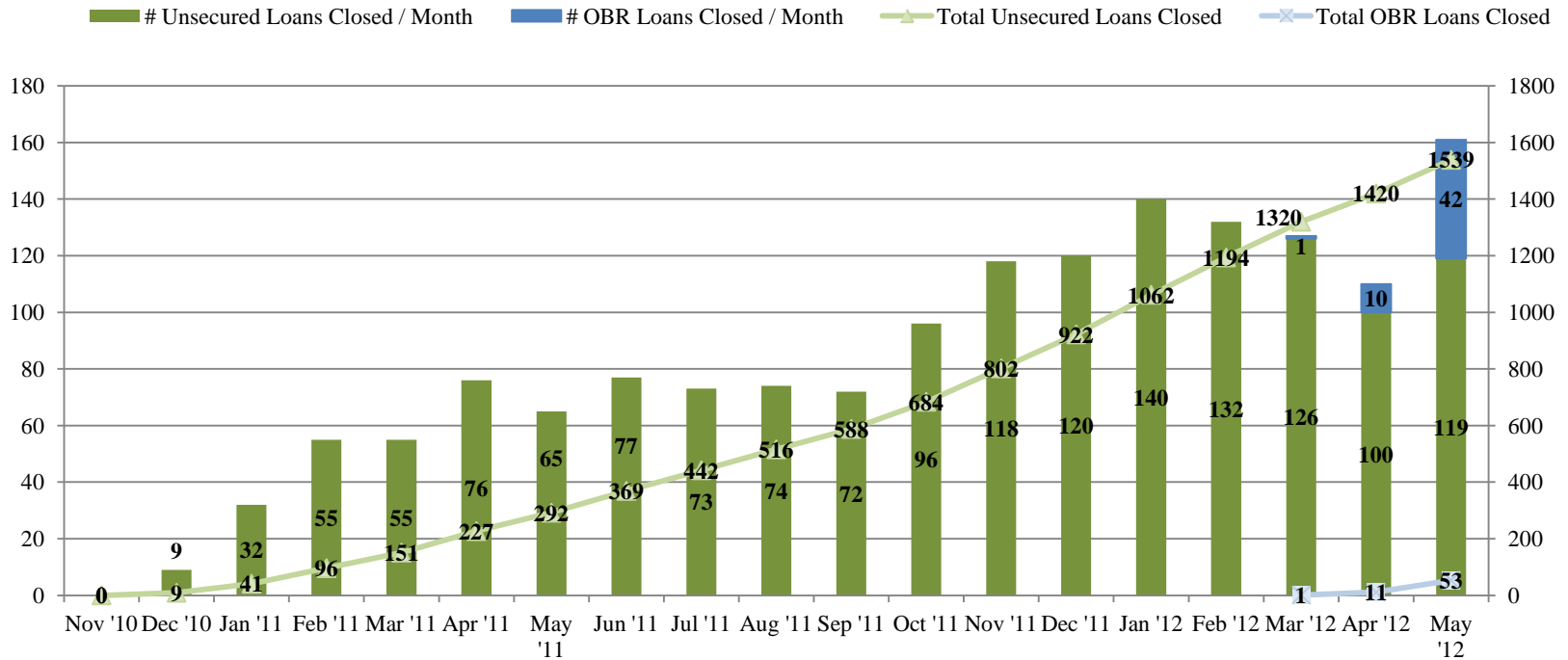
Residential Loan Portfolio Status 5/31/2012

Approved Loans

<u>Status</u>	<u>Unsecured</u>		<u>On-Bill Recovery</u>		<u>Total</u>	
Closed Loans	1,539	\$14,004,932	53	\$566,049	1,592	\$14,570,981
Approved Pending Completion	<u>172</u>	<u>1,549,733</u>	<u>72</u>	<u>697,986</u>	<u>244</u>	<u>2,247,719</u>
Subtotal	1,711	<u>\$15,554,665</u>	<u>125</u>	<u>\$1,264,035</u>	1,836	<u>\$16,818,700</u>
Preapproved	296		344		640	
Withdrawn	<u>354</u>		<u>9</u>		<u>363</u>	
Total	<u>2,361</u>		<u>478</u>		<u>2,839</u>	

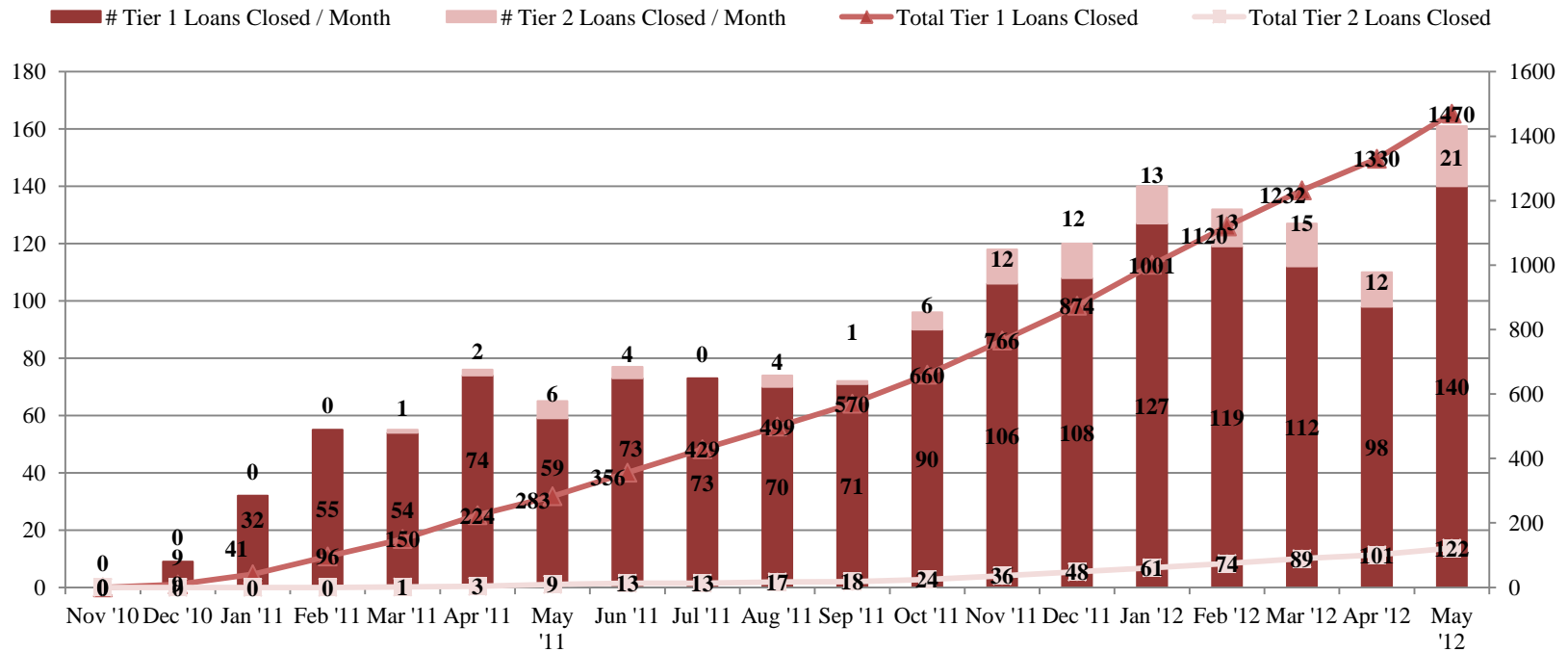
GJGNY Residential Loan History

Green Jobs-Green New York Financing Loans Issued by Type



GJGNY Residential Loan History

Green Jobs-Green New York Financing Loans Issued by Tier



Residential Loan Portfolio Status 5/31/2012

Loan Performance

<u>Status</u>	<u>Unsecured Loans</u>				<u>On-Bill Recovery Loans</u>			
	<u>Tier 1</u>		<u>Tier 2</u>		<u>Tier 1</u>		<u>Tier 2</u>	
	<u>#</u>	<u>% of \$</u>	<u>#</u>	<u>% of \$</u>	<u>#</u>	<u>% of \$</u>	<u>#</u>	<u>% of \$</u>
Current	1,371	99.89%	115	99.53%	34	100.00% *	4	100.00% *
31-60 days past due	1	0.07%	0	0%	0	0%	0	0%
61-90 days past due	0	0%	0	0%	0	0%	0	0%
90+ days	<u>1</u>	<u>0.04%</u>	<u>1</u>	<u>0.47%</u>	<u>0</u>	<u>0%</u>	<u>0</u>	<u>0.00%</u>
Total	1,373	100.00%	116	100.00%	34	100.00%	4	100.00%

* Note: OBR Loans were implemented with no payments due from customers until billing periods starting in June 2012. There is also lag between utility collection from customer and utility monthly remittance to NYSERDA.

Observations

- Cautious approach for revising underwriting standards
 - Standards revised 3 times since program launch Dec 2010
 - Gradually lower the bar and monitor results
- Balance between program goal and fiscal stewardship/consumer protection
- Financing isn't the magic bullet
 - 80% of program retrofits proceed without taking program financing (at 3.49%/2.99% rate!)
 - Success in combining incentives and financing for moderate income (Assisted HPwES eligible) consumers
- Tier 2 standards have had impact
 - 8% of loans issued
 - Negligible difference in delinquency rate between Tier1 and Tier2 to date (but limited history)

Questions

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