



Request for  
Proposals  
for  
**Energy Efficiency  
Loan Products**

**TECHNICAL DIFFICULTIES: CALL 919 966-4199**

# Webinar Topics



- Overview of Current and Forthcoming Energy Efficiency Programs in Greensboro
  - City of Greensboro, Duke Energy
- Greensboro Energy Efficiency Loan Product Development RFP
- Questions/Comments
  - Submit via chat function throughout webinar
  - Addressed without attribution verbally
  - Transcript of Q&A without attribution distributed

# **GREENSBORO ENERGY EFFICIENCY PROGRAM INFORMATION**

Dan Curry - Manager of Community Sustainability

Denise Turner Roth- Assistant City Manager for Community Relations and Communications

Josh Mullins- Sustainability Planner/Project Manager

John Shoffner- Economic Development Manager

Steve Randall- Energy and Sustainability Manager

# BetterBuildings Program

- **\$5 million** to achieve energy efficiency upgrades to existing buildings in Greensboro
- Reduce energy consumption in residential buildings by **20-30%** and in commercial buildings by at least **15%**
- Target **3,400 homes** and **200 commercial buildings** with potential for **\$1 million in annual energy savings**
- Create or retain up to **280 jobs**

# Proposed Eligible Projects

## (Energy Savings of 15% or Greater)

- Air duct sealing
- Appliance replacement
- Air sealing building envelope
- Insulation
- Lighting
- Water heater and piping insulation
- HVAC system tune-ups/repairs
- New central HVAC systems
- Storm windows
- Solar thermal and geo-thermal hot water heating (only after other energy efficiency upgrades have been installed)
- Complimentary non-EE repairs (up to 20% of total loan)



# Lending Program Goal and Strategy

## Goal

- Improve building performance, comfort, and health, promote economic development, create local jobs and save City residents and property owners money and energy

## Strategy

- Offer financing solutions and technical assistance for City residents and business owners that allows 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 the loan payments



# **ROLES AND RESPONSIBILITIES**



# The City will provide:

- Program Coordination
- Quality Assurance
- Workforce Training
- Significant Risk Reduction and Credit Enhancement Funding
- Reporting and Monitoring
- Aggressive Marketing Campaign
- Project Vetting
- Project Engineering & Development
- Loan Application and Origination Support





# The Lenders will provide:

- Energy Efficiency Loans
- High level of Customer Service
- Loan Marketing
- Customer credit pre-screening services
- Loan servicing and administration
- Reporting



# Update from Duke Energy

Chris Jacobi

Director, Business Development and Market  
Intelligence

Delta Sonderman

Marketing Specialist



# OVERVIEW OF LENDING RFP



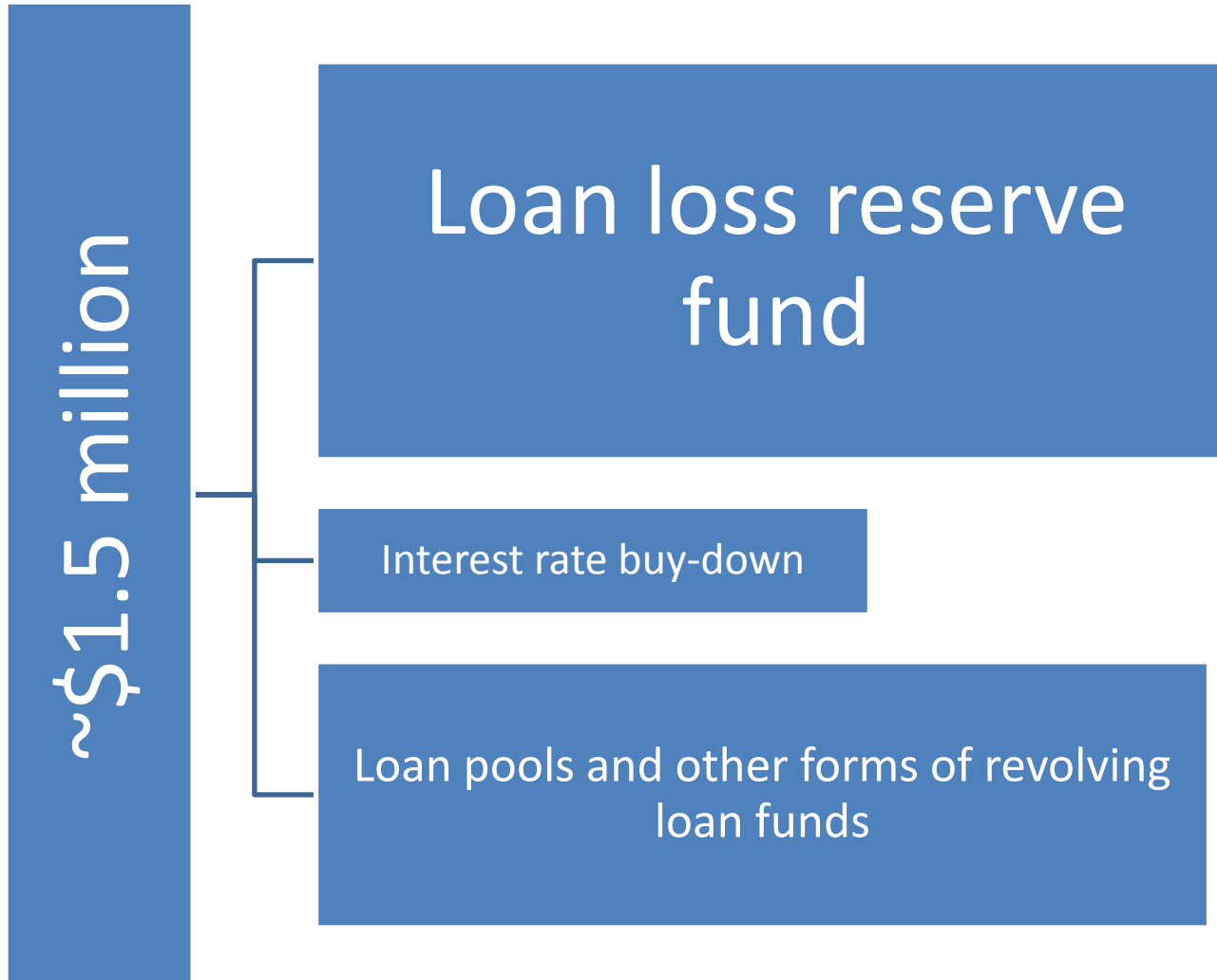
Jeff Hughes

Director, Environmental Finance Center  
UNC School of Government

US Department of Energy Technical Assistance Program



# Credit Enhancement Mechanisms



# Goal of Credit Enhancement

- Increase size of unsecured residential loans
- Greater access to secured residential loans
- Extend loan tenors
- Lower minimum credit score for residential loans
- Reduced interest rates for residential and commercial loans



# Residential Loan Product

- Eligible borrowers: Residential homeowners
- Eligible properties: All existing single family homes (placed in service prior to 1/1/10) located in the City
- Loan application: Standard loan application and loan documents provided by lenders, referencing
  - Building performance survey
  - Contractor proposal
- Loan terms: 7-15 years, 10 years typical
- Interest rate: Market-based, factoring-in extra security by CE



# Residential Loan Product, cont.

- Payment schedule: Monthly payments in arrears, level principal and interest
- Loan size: approx. \$3-\$20,000
- Loan underwriting and security: Proposed by lenders
- Loan disbursement and flow of funds: To be developed with lenders
- Prepayment option: Yes



# Residential Lending Targets

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Average project size	\$6,000
Average rebates and incentives	(\$500)
Average loan size	\$5,500
Total # of loans	~1,300
Total lending through 2012	~\$7 million

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# Commercial loan product

- Eligible borrowers: Multi-family residential, retail, industrial and institutional entities
- Eligible properties: All existing buildings (placed in service prior to 1/1/10) located in the City
- Loan application: Standard loan application and loan documents provided by lenders
  - Building performance survey
  - Contractor proposal
- Loan terms: 7-15 years, 10 years typical
- Interest rate: Market-based, factoring-in extra security by CE



# Commercial loan product

- Payment schedule: Monthly payments in arrears, level principal and interest
- Loan size: To be determined
- Loan underwriting and security: Proposed by lenders
- Loan disbursement and flow of funds: To be developed with lenders
- Prepayment option: Yes



# Commercial Lending Targets

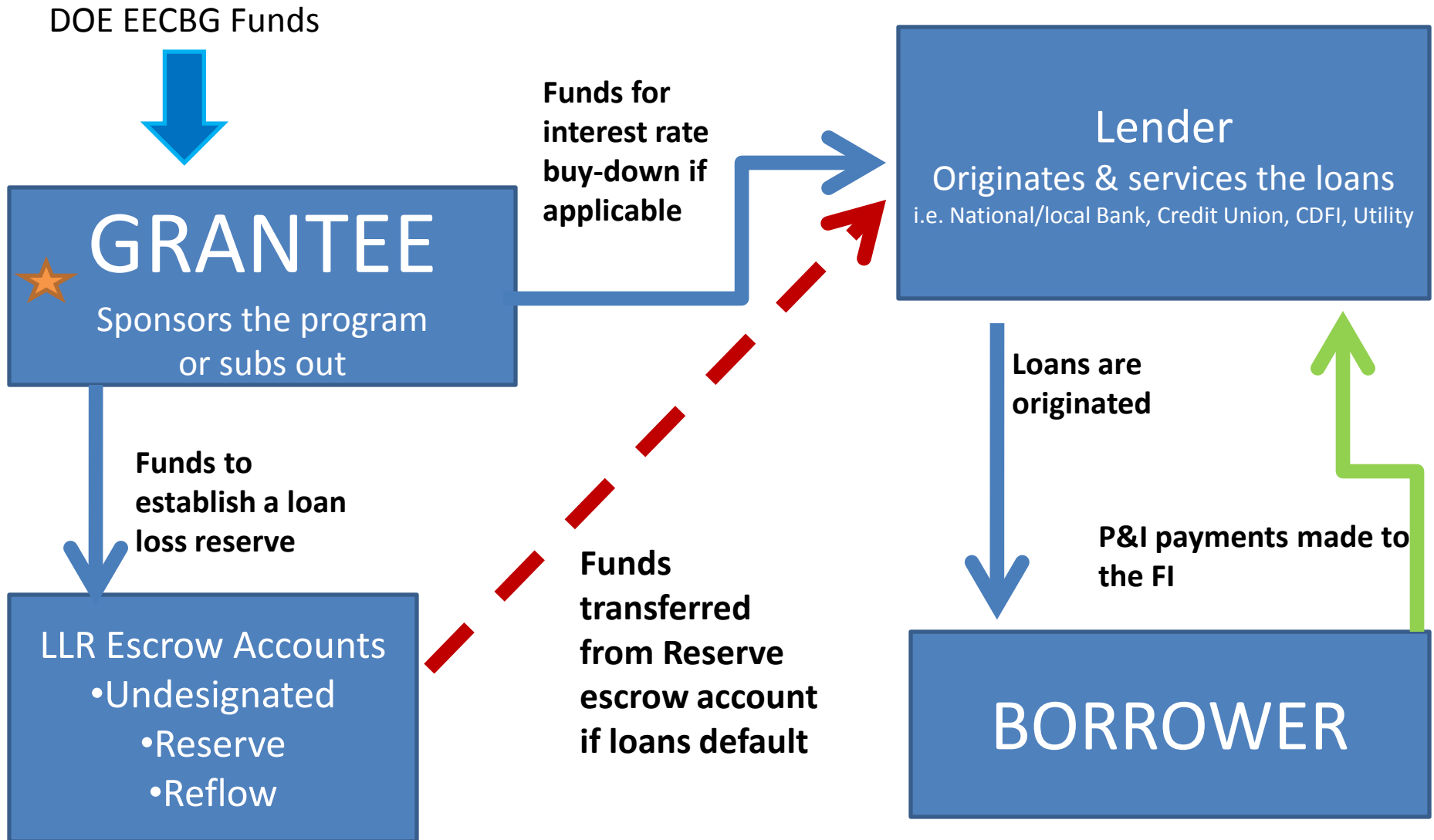
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Average project size	\$75,000
Average rebates and incentives	(\$5,000)
Average loan size	\$70,000
Total # of loans	~100
Total lending through 2012	~\$7 million

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# Loan loss reserve funds



# Loan loss reserve fund (LLR)

- Program performance examples
  - Pennsylvania's Keystone Help program

## 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%
<b>Grand Total</b>	<b>5,761</b>	<b>\$24,358,000</b>	<b>\$36,766,730</b>	<b>751</b>	<b>35</b>	<b>7.32%</b>	<b>3.40%</b>	<b>15.9</b>	<b>0.53%</b>	<b>1.28%</b>



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# Loan loss reserve funds

- First loss responsibility
- Cap of loan loss reserve fund pool
- Accommodating the portfolio “ramp-up” period



# Key Clarification

**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.**



# Other Authorized DOE Credit Enhancement Mechanisms

- Interest Rate Buy Down
  - Present value of forgone interest payments
- Revolving loan fund (DOE funds used directly as capital)
  - Senior/Subordinate structure
  - Blended loan pools
  - Clear presentation of available capital, Greensboro DOE funds required and “consumed”





# Program schedule

Questions due to City	2/17/11
Answers posted	2/18/11
Proposals Due	2/24/11
FI(s) selected by the City for negotiations	3/10/11
Target date to complete LLR Agreement and Program Agreement Negotiations	3/31/11
City Council approval of LLR and Program Agreements	4/19/11



# Correction

- High priority loan period (24 Months)
- April 2011 to April 2013

# A successful proposal will include

- Cover letter
- Proposal
- **Term sheets for applicable loan products**
- Details on how the FI will use the credit enhancement to advance CE goals



# A successful proposal will be

- **Creative & Concise** while addressing:
  - Terms of loans to be offered
  - Commentary on LLR terms
  - Approach to credit and underwriting guidelines
  - Loan marketing, origination and administration
  - Qualifications & expertise, officers and staffing
  - Collaborative services, technical assistance & training needs
  - Additional statements, ideas and materials



# Selection Process

- Attractiveness of the proposed Loan terms
- Financial capacity of lender
- 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
- Clarity and suitability of proposed Loan underwriting criteria
- 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
- Lender's understanding of the Program goals and how the Lender could implement the Program.



# Q & A

After this webinar:

Call Dan Curry at (336)373-2751

or

Email questions by 3pm on 2/17/11 to  
[joshua.mullins@greensboro-nc.gov](mailto:joshua.mullins@greensboro-nc.gov)

