Green Jobs-Green New York Financing Program Update

July 20, 2010
Legislation

• Municipal Sustainable Energy Loan Program (PACE) amendment
  – Version of bill passed in Senate; Governor introduced program bill but 3-way agreement was not reached
    • Concerns over priority of lien; constructive discussions for addressing these concerns
    • Concern that GJGNY funds should not be used for PACE financing

• On-bill recovery financing authorization
  – Bill introduced in Assembly
  – Discussions to reach 3-way agreement were not completed prior to end of session
    • Concern with termination of service provision for repayments – proposed approach to limit number of financings allowed, and to increases numbers annually
    • Discussions scheduled to resume

• Federal loan guarantees – War Appropriations Act/Homestar
Changes in Approach

- PACE financing approach on hold
  - FHFA/OCC notices to lenders
  - Advocates pursuing legislation and litigation
- Focus on what we can accomplish and phased implementation
  1. Direct residential consumer loans
  2. On-bill recovery residential financing for National Grid pilot
  3. Direct small commercial financing
  4. Multifamily financing (HFA)
  5. On-bill recovery financing statewide (assuming legislation, regulatory action, and implementation of billing system changes)
Changes in Approach (Cont’d)

• Loan origination
  – Launch direct consumer loan and on-bill recovery residential financing using single originator
  – Discussions with Energy Finance Solutions, current FNMA loan originator – allows quick adoption of existing system currently used in Home Performance program
  – Discussions underway to originate small commercial/NFP loans
  – After initial program launch (and upon completion of selection of master loan servicer and establishment of origination-servicing system) we can add ability for other financial institutions to be involved in loan origination
Changes in Approach (Cont’d)

• Offer introductory financing rate upon program launch
  – For example, 2.99% rate for first 6/9/12 months of program
  – Will build market demand

• Offer reduced interest rate to consumers
Loan Underwriting Standards

- Tier1/Tier2 concept
- Tier1 loans/financings meet standards that can be financed in capital markets
- Tier2 loans/financings provide lower standards
  - Initially issued as revolving loan fund
  - As loans perform over time, they can be pulled from revolving loan fund pool and added to pool of loans financed through capital markets
  - Working with foundations/PRI investors to provide matching capital
DRAFT Residential Direct Loan Standards Tier1

• Credit score 640 or higher (680 or higher if self-employed for 2yrs or more; 720 or higher if self-employed less than 2yrs)
  – Alternative criteria for lower score: Loan-to-value ratio of < 85% and not more than 30 days late on mortgage and utility payment in last 12 months and no payments more than 60 days late in last 2 yrs

• Debt-to-income ratio < 50%
• No bankruptcy within last 7 yrs
• No outstanding collections, judgments or tax liens > $2,500
DRAFT Residential Direct Loan Standards Tier2

• Utility bill payments are current for 2 consecutive months for each of the last 2 years
• Debt-to-income ratio < 50%
• No bankruptcy within last 7 yrs
• No outstanding collections, judgments or tax liens > $2,500
Next Steps

• Finalize loan underwriting standards
• Issue RFP for master loan servicer
• Launch financing
  – Tier1 consumer loans
  – Tier2 consumer loans
  – Small business/NFP direct loans
  – Multifamily
  – On-bill recovery financing