

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 increase 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

summary

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