nyserda
Energy. Innovation. Solutions.

New York State Energy Research and Development Authority
Vincent A. DeIorio, Esq., *Chairman*
Francis J. Murray, Jr., *President and CEO*
Toll Free: 1 (866) NYSERDA • www.nyserda.org • info@nyserda.org

To: Green Jobs-Green New York Advisory Council

From: Jeff Pitkin, Treasurer

Date: November 10, 2010

RE: GJGNY Financing Update

The purpose of this summary is to provide an update on the status of the financing component of the Green Jobs-Green New York (GJGNY) program for residential energy efficiency improvements.

As you recall, the GJGNY budget includes about $51 million allocated for the revolving loan fund, of which 50%, or $25.6 million, was initially allocated for residential energy efficiency financing. The program will also be supported by $18.6 million available through a grant awarded by the U.S. Department of Energy through its Better Buildings program.

Initially, unsecured residential loans will be provided statewide through Energy Finance Solutions, the current Home Performance with ENERGY STAR lender. After an initial period and selection of master loan servicer, additional qualified local, regional and statewide financial institutions will be authorized to perform loan origination processing. Availability of financing will be subject to borrowers' meeting loan underwriting criteria established by NYSERDA for each financing approach and sector. The underwriting guidelines for the unsecured residential loans have been finalized and were previously shared with the Advisory Council.

Once a conforming loan is made by Energy Finance Solutions, the loan will be purchased by NYSERDA through the GJGNY program, using the RGGI funds, and the loans will be serviced by its third-party interim loan servicer, Concord Servicing Corporation. When NYSERDA issues sufficient loans using the RGGI funds to support a bond issuance, NYSERDA would issue bonds backed by the repayment stream of these loans. The bond proceeds would then be used to support new loans.

We previously announced that we were intending to offer the unsecured financing at an interest rate of 5.99% (or 5.49% if the consumer sets up automated bank ACH payment); this rate would apply for loans approved through both the "Tier1" and "Tier2" standards used to qualify applicants for financing. We also reported to you that offering loans at this rate and leveraging the GJGNY/RGGI funds through the capital markets was likely to result in a depletion of GJGNY/RGGI funds of up to 30% for each loan issued, since the costs of financing the loans through bonds issued by NYSERDA plus the costs of originating and servicing the loans were expected to exceed the loan repayments. Based on revised estimates from our financial advisor (based on lower current market interest rates, a re-evaluation of the anticipated financing term, and an expected lowering of the interest rate on the bonds resulting from collection standards authorized under State Law), we believe the <u>depletion of GJGNY/RGGI funds with each round of bond financing will be reduced</u> to 9% or less. Changes in bond interest rates or changes in the assumptions regarding financing terms will affect this in the future.

Main Office
Albany
17 Columbia Circle
Albany, NY 12203-6399
Toll Free: 1 (866) NYSERDA
Phone: (518) 862-1090
Fax: (518) 862-1091

West Valley Site
Management Program
9030-N Route 219
West Valley, NY 14171
Phone: (716) 942-9960
Fax: (716) 942-9961

New York City
485 Seventh Ave., Suite 1006
New York, NY 10018
Phone: (212) 971-5342
Fax: (212) 971-5349

Buffalo
726 Exchange Street, Suite 821
Buffalo, NY 14210
Phone: (716) 842-1522
Fax: (716) 842-0156

In addition, the State has authorized NYSERDA to use the State's allocation of Qualified Energy Conservation Bond (QECB) volume cap to issue QECB bonds under a Green Community program. A Green Community Program can provide financing for energy efficiency loans as part of the GJGNY program. QECBs are tax subsidy bonds which may be issued for specified energy conservation purposes whereby the U.S. Treasury pays essentially 70% of the interest cost on the bonds. This dramatically reduces the cost of funds, and NYSERDA intends to pass these savings to consumers through lower interest rates charged on the loans issued through the GJGNY program. The State received an allocation of about $20.1 million and an additional $182.1 million was allocated to certain counties, cities and towns with populations in excess of 100,000. Local governments are allowed to reallocate their QECB allocation to the State, and so far one county has agreed to do so. We are following up with the local government to determine their willingness to reallocate their QECB allocation for use in this program. As a result of the reduction in net bond interest expense through issuing QECB bonds, <u>we will be issuing loans (for both Tier1 and Tier 2) to launch the GJGNY program at a lower interest rate of 3.99% (or 3.49%</u> for consumers who set up automated payment) until such time that the QECB allocation (currently about $21.3 million) is exhausted, at which time we will change the interest rate to 5.99%/5.49%. Using the QECB bond structure, if the loan interest rate is set at 3.99%/3.49%, the depletion of GJGNY/RGGI funds is estimated to be less than one percent.

We are anticipating that the processes and systems will be complete and <u>we will be ready to begin offering GJGNY loans beginning next week - November 15</u>. As a transitional approach, if a consumer has already applied through the Home Performance with ENERGY STAR program for financing or the 10% program incentive but not yet completed their retrofit, they will be allowed to re-apply for GJGNY financing or to apply for the financing in addition to their prior election to receive the 10% incentive in lieu of the program financing.

If you have any questions on this summary, please contact me at (518)862-1090 ext. 3223 or jjp@nyserda.org.