Green Jobs-Green New York Program

Coal Finance Conference
Institute for Energy Economics and Financial Analysis/NYU Institute for Policy Integrity
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Green Jobs-Green New York Program

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

- Supports sustainable community development, create opportunities for green jobs, and finance energy audits and energy efficiency improvements
- Funded with $112 million allocated from the proceeds of selling carbon dioxide allowances under the Regional Greenhouse Gas Initiative (RGGI)
- 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 (<=100 employees) and not-for-profit structures (up to $50,000)
- $42.5 million allocated to Revolving Loan Fund
  - $26.7M residential; $7.7M small business/NFP; $8.1M multifamily
  - Leverage residential funds through aggregation and securitization of loans through secondary markets
  - Small business/NFP and Multifamily leveraged through participation loans with lenders
- Additional Funding: $8.5M US DOE grant - loan loss/debt service reserve
- Residential energy efficiency program leveraged off Home Performance with ENERGY STAR – BPI accredited contracts
- Includes outreach by constituency based organizations

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On-Bill Recovery Financing Program

- Legislation enacted Aug 2011; program launched Jan 2012
- Statewide program – 7 utilities
- Eligible borrowers – 1-4 family residential, small businesses, not-for-profits
- Eligible to finance - cost effective energy efficiency improvements
  - Legislation amended to add renewable technologies (PV) effective Jan 2014
- Transferability
  - Unless satisfied prior to sale (allows purchaser to require seller to payoff)
  - Seller must provide written notice to prospective buyer; responsible for arrears up to transfer
  - *Program Declaration* filed in clerk's office – not a lien; ensures notice to prospective purchaser
- Installment charge is tariff charge
  - Consumer safeguards - termination of service; deferred payment arrangements
  - Installment charge subordinated to utility collection of service charges
  - Establishes process for off-bill billing if customer account is terminated without transfer
- Bill neutrality
  - Installment charges can't exceed 1/12th of estimated energy cost savings from all energy sources (allows oil/propane), including anticipated price escalations over loan term
- Fees paid to utilities to offset system changes & administration
- Uses 3rd party loan servicer for utility data transfers/collection

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Residential Loan Terms

Loan Type	Unsecured Loan (Launched 11/15/2010)	On-Bill Recovery Loan (Launched 1/30/2012)
Borrower eligibility	Owner or lessee	Owner and named on utility account
Loan Amt	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	3.49% (2.99% prior to Jan 2013)
Cost Effectiveness Required	At least 85% pre-qualified measures - or - anticipated energy savings over life of measures are at least 80% of total principal and interest to be repaid on loan	Loan installment charge may not exceed 1/12th or estimated annual energy savings

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Loan Underwriting Approach

Tier1 loans

- Traditional FNMA standards
    - FICO 640+,
    - Debt:Income (DTI) < 50%
    - No bankruptcies 7 yrs
    - No outstanding judgments/collections > $2,500
- Aggregated and financed through capital markets

Tier2 loans

- Originated using alternate loan underwriting criteria
    - Current on mortgage for last 12 months
    - Current on utility bill for at least 2 consecutive months in each of last 2 years
    - Max 70% DTI (100% if customer is eligible for Assisted 50%/$5,000 subsidy)
    - No bankruptcies 5 yrs
    - No outstanding judgments/collections > $2,500
- Held in revolving loan fund until performance allows securitization

Third Party loan origination and servicing:

- Loan Originator: Energy Finance Solutions
- Master Loan Servicer: Concord Servicing Corporation

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Rating Agency Feedback – Fall 2012

- Approached markets with traditional ABS structure/ratings process
- Challenges with ABS vs Municipal bond structuring
- Insufficient payment performance data
  - NYSERDA portfolio – avg paid term of about 1yr for avg 12yr loan term
  - Keystone HELP (PA) portfolio data
  - Summary performance data on NY loans issued in Fannie Mae portfolio
  - No comparable loss statistics on 15 yr consumer loans
- Minimum investment grade “achievable”

Response:

- Restructured using traditional municipal finance structure with credit enhancement

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$24.3 M Bonds Issued

- Closed August 2013
- Secured by 3,263 Tier 1 residential EE loans ($29.2M)
- 126% Debt Service Coverage ratio; 110% minimum required
- NYS Environmental Facilities Corp Guarantee
  - State Revolving Fund (Clean Water) program
  - Demonstrated nexus clean energy – clean water programs
  - US EPA concurrence received Mar 2013
  - Resulted in <u>AAA/Aaa</u> S&P/Moody's rating based on EFC SRF rating
  - Funded reserve $8.5M (DOE Better Buildings grant) to protect EFC/SRF Guarantee; reduced pro-rata with bond principal payments
- Structured using State Qualified Energy Conservation Bond
  - Federal interest subsidy reimbursement
- Taxable interest rate 3.2% (avg term 6.9 yrs); net rate after QECB < .5%
- 34% of bonds sold to social impact investors
- Replicable national model
- Recognized as *The Bond Buyer* Small Issuer Deal of the Year

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Residential Loan Portfolio Status 1/31/2014

	Unsecured Loan		On-Bill Recovery Loan		Total
Loans Issued/Outstanding	Tier 1	Tier 2	Tier 1	Tier 2	
Number of loans issued	2,997	331	1,227	128	4,683
Amount of loans issued	$27,738,784	$3,146,245	$13,175,963	$1,262,736	$45,323,728
Average Loan	$9,256	$9,505	$10,738	$9,865	$9,678
Avg Original Term (months)	147.9	162.1	174.3	171.6	156.4
Average Interest Rate	3.59%	3.61%	3.16%	3.15%	3.47%
Average FICO score	752	707	752	726	748
Number of loans outstanding	2,825	316	1,183	126	4,450
Current Balance of Loans	$23,239,141	$2,736,914	$12,349,729	$1,211,925	$39,537,709
Percent of Total	58.8%	6.9 %	31.2%	3.1%	100.0%
Avg Term Remaining (months)	130.6	146.4	166.1	164.8	142.1

Residential Loan Portfolio Status 1/31/2014

	Unsecured Loan		On-Bill Recovery Loan		Total
Delinquency Analysis	Tier 1	Tier 2	Tier 1	Tier 2	
Current	98.5%	96.4%	91.7%	89.2%	96.0%
Past due	1.5%	3.6%	9.3%	1.8%	4.0%
Chargeoff Analysis					
Loans Charged off (>120 Days Past Due)	$183,718	$76,660	$54,754	$0	$315,132
% of loan $ issued	.66%	2.44%	.42%	.00%	.70%
annualized	.46%	1.86%	.60%	.00%	.58%

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Questions

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