Green Jobs-Green New York Program
Coal Finance Conference
Institute for Energy Economics and Financial Analysis/NYU Institute for Policy Integrity
3/18/14

Jeff Pitkin, Treasurer
New York State Energy Research and Development Authority
Green Jobs-Green New York Program


- 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
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
# Residential Loan Terms

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Unsecured Loan (Launched 11/15/2010)</th>
<th>On-Bill Recovery Loan (Launched 1/30/2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrower eligibility</td>
<td>Owner or lessee</td>
<td>Owner and named on utility account</td>
</tr>
<tr>
<td>Loan Amt</td>
<td>Up to $13,000; $25,000 if payback period is 15 years or less</td>
<td></td>
</tr>
<tr>
<td>Loan Term</td>
<td>5, 10, or 15 years; term may not exceed expected useful life of measures</td>
<td></td>
</tr>
<tr>
<td>Interest Rate</td>
<td>3.99%</td>
<td>3.49% (2.99% prior to Jan 2013)</td>
</tr>
<tr>
<td></td>
<td>3.49% if repaid through automatic ACH payment</td>
<td></td>
</tr>
<tr>
<td>Cost Effectiveness Required</td>
<td>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</td>
<td>Loan installment charge may not exceed 1/12th or estimated annual energy savings</td>
</tr>
</tbody>
</table>
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
• 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
$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 AAA/Aaa 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
## Residential Loan Portfolio Status 1/31/2014

<table>
<thead>
<tr>
<th>Loans Issued/Outstanding</th>
<th>Unsecured Loan</th>
<th>On-Bill Recovery Loan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tier 1</td>
<td>Tier 2</td>
<td>Tier 1</td>
</tr>
<tr>
<td>Number of loans issued</td>
<td>2,997</td>
<td>331</td>
<td>1,227</td>
</tr>
<tr>
<td>Amount of loans issued</td>
<td>$27,738,784</td>
<td>$3,146,245</td>
<td>$13,175,963</td>
</tr>
<tr>
<td>Average Loan</td>
<td>$9,256</td>
<td>$9,505</td>
<td>$10,738</td>
</tr>
<tr>
<td>Avg Original Term (months)</td>
<td>147.9</td>
<td>162.1</td>
<td>174.3</td>
</tr>
<tr>
<td>Average Interest Rate</td>
<td>3.59%</td>
<td>3.61%</td>
<td>3.16%</td>
</tr>
<tr>
<td>Average FICO score</td>
<td>752</td>
<td>707</td>
<td>752</td>
</tr>
<tr>
<td>Number of loans outstanding</td>
<td>2,825</td>
<td>316</td>
<td>1,183</td>
</tr>
<tr>
<td>Current Balance of Loans</td>
<td>$23,239,141</td>
<td>$2,736,914</td>
<td>$12,349,729</td>
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<tr>
<td>Percent of Total</td>
<td>58.8%</td>
<td>6.9%</td>
<td>31.2%</td>
</tr>
<tr>
<td>Avg Term Remaining (months)</td>
<td>130.6</td>
<td>146.4</td>
<td>166.1</td>
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<td>Tier 1</td>
<td>Tier 2</td>
<td>Tier 1</td>
</tr>
<tr>
<td>Delinquency Analysis</td>
<td>Current</td>
<td>98.5%</td>
<td>96.4%</td>
</tr>
<tr>
<td></td>
<td>Past due</td>
<td>1.5%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Chargeoff Analysis</td>
<td>Loans Charged off (&gt;120 Days Past Due)</td>
<td>$183,718</td>
<td>$76,660</td>
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<tr>
<td></td>
<td>% of loan $ issued</td>
<td>.66%</td>
<td>2.44%</td>
</tr>
<tr>
<td></td>
<td>annualized</td>
<td>.46%</td>
<td>1.86%</td>
</tr>
</tbody>
</table>
Questions

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