

Investment Bank New Product Green Building Security Pilot

Guaranteed Underwritten Residential Retrofit Loan / Security

Description. The Green Building Security (GBS) Pilot Energy Loan / Security finances residential energy efficiency and renewable energy home improvements.

Purpose. The Pilot market tests and stimulates a very effective source of funds for a residential loan program seeking to generate high volumes, because it has substantial economic and social benefits and is:

- **Point-of-Sale**, energy efficiency and renewable energy improvements are purchased from and installed by State licensed contractors. Because it impacts their cash flow, contractors generally insist on “point-of-sale” financing, which allows them to maintain control of the sales process. Most energy efficiency loan programs are not point-of-sale.
- **Quick**, the application, underwriting and origination process is completed in a few hours.
- **Consumer Friendly**, compared to revolving products (credit cards) that dominate the home improvement finance industry, the Loan has no hidden fees, borrower’s credit scores are not impaired by high revolving debt ratios, delinquencies do not trigger rate increases, loan modifications are allowed, and all participating contractors are screened.

Number of Loans. Agree to purchase up to \$500M of energy loans.

Implementation. This is a Pilot source of funds for a nation-wide, residential energy efficiency program in the development of a GBS that would provide a long-term source of funding

Origination

- Increase the per loan origination fee to \$250 (from \$185)
- Agree to add up to two new originators
- Using input from existing lenders and portfolio performance

Servicing

- Increase the servicing fee to \$8 per loan per month (from approximately \$7 per loan)
- Increase the servicer’s file review fee \$5 per loan (from approximately \$2.50 per loan)

Pricing

- Re-evaluate pricing assumptions to determine if par rates can be reduced
- If par rates cannot be reduced, increase the rate ceiling from 14.25% to 15.00%

Securitization

- Explore development of GBS to address portfolio caps

Documentation.

- Obtain EnergyStar Score showing the assets’ energy efficiency which is included in the *Green Value Score*
- Obtain *Green Value Score* assessment during underwriting
- Collect and store *Green Value Score* with other home electronic records