

## **Investment Bank New Product Pilot** **Green Building Security (GBS)**

### **Residential Pool Public Offering**

**Description.** The Green Building Security (GBS) Residential Pool Public Offering Pilot is the same as traditional real estate securitization, with the only difference being that it is a pool of green mortgages rated by the *National Consensus Green Value Score* of 25-100 for each home in the pool, thus transparently showing increased value and reduced and stabilized utility costs from green home attributes. This in turn improves credit risk. The pool has a value exceeding \$500M with the offering rated by one of the credit rating agencies prior to secondary market distribution.

**Purpose.** The Pilot market tests and stimulates a much needed source of capital in the residential real estate market, and helps meet the very strong investor demand for green homes because it is:

- **Consistent with Traditional Residential Real Estate Financing**, with just a simple *Green Value Score* add-on to the normal real estate security due diligence process.
- **Convenient Source of Capital** with substantial economic and social benefits.
- **Expected to be profitable, less risky, and preferred by investors** based on extensive Wall Street Due Diligence released at a 2009 NYSE press conference, thus opening up a \$1 trillion market and resecuritization of the building stock.

**Number of Mortgages.** About 500-600 home mortgages required for proper diversification that can be expected to reduce risk, increase profits and return on investment. Redwood Trust's recent successful residential security had \$933k average home loan value.

**Implementation.** The *Green Value Score* does not change traditional residential underwriting securitization process, with the additional due diligence step of assigning a *Green Value Score* to each home in the pool, and explaining the Green Home nature of the security within the offering documentation. The *Green Value Score* is part of the *National Consensus Green Building Underwriting Standards* providing the rational basis for labeling GBS consistent with Federal Trade Commission Environmental Marketing Guides.

### **Documentation.**

- Obtain EnergyStar Score showing the home 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 loan origination electronic records where the Score is captured, as a pathway to a rate price adjustment based on a minimum Score.