



NYSERDA

Residential Financing Updates

September 8, 2016

Agenda

- Pipeline Cleanup Overview
- Interest Rate Structure
- Income Estimator Tool
- Application Overview
- Single Family Application
- One- to Four-Family Application
- Auto-decisioning / Auto-withdrawal
- Proforma Tool Updates
- Useful Links
- Q&A

Pipeline Cleanup Overview

Pipeline Cleanup

- Total loan applications withdrawn – 1938
- Estimated total loan value of withdrawn loans: \$20.8M
- Estimated value of pre-approved loans withdrawn: \$17.9M
- Estimated value of approved loans withdrawn: \$2.9M

Interest Rate Structure

Interest Rate Structure

- ❖ The interest rate is assessed based on the project type (Energy Efficiency, Renewable Energy, or a combination of Energy Efficiency and Renewable Energy), credit history and financing underwriting guidelines.
- ❖ The interest rate and eligibility for an incentive is further determined by comparing household income levels to the State or Area Median Income, and is structured such that lower income households and those households that lack access in the private lending marketplace can afford to make energy efficiency improvements through NYSERDA's expanded loan underwriting criteria ("Tier 2") offered through GJGNY.

The table below summarizes the interest rate structure and is used to evaluate reduced interest rate availability.

		Project Type: Energy Efficiency ¹			Project Type: Renewable Energy ¹ / Combined ²		
<u>Income Level Indicator</u>	<u>Income Level</u> ³	Smart Energy (Pay by mail)	Smart Energy (Auto Pay)	On-Bill Recovery	Smart Energy (Pay by mail)	Smart Energy (Auto Pay)	On-Bill Recovery
Low (L)	Less than or equal to 80%	3.99%	3.49%	3.49%	3.99%	3.49%	3.49%
Moderate (M)	Greater than 80% up to 120%	5.49%	4.99%	4.99%	5.49%	4.99%	4.99%
High (H)	Greater than 120%	Tier 1=7.49% Tier 2=6.49%	Tier 1=6.99% Tier 2=5.99%	Tier 1=6.99% Tier 2=5.99%	Tier 1=8.49% Tier 2=6.49%	Tier 1=7.99% Tier 2=5.99%	Tier 1=7.99% Tier 2=5.99%

Tier 1 Primarily based upon a FICO score of 640 or greater; and a debt-to-income ratio of 50% or less; and no bankruptcies within the past 7 years.

Tier 2 - Primarily based upon a FICO score lower than 640; or a debt-to-income ratio above 50%; and no bankruptcies within the past 2 years.

- 1) NYSERDA offers several Energy Efficiency and Renewable Energy programs. There may be specific program or contractor requirements associated with projects eligible for financing
- 2) Energy Efficiency and Renewable Energy projects in combination.
- 3) Based on percentage of State or Area (county) Median Income, whichever is higher, for the household size.

Income Estimator Tool

Interest Rate Estimator Tool (<https://www.nyserda.ny.gov/interest-rate-estimator>)

Program Type **Energy Efficiency**
 County **Albany**

Household Size **1**

Interest Rates and Payment Options - Based Upon Payment Method

Income Range	Smart Energy Loan (pay by check)	Smart Energy Loan (pay by auto-payment)	On Bill Recovery (pay on your utility bill)
\$45,950 and below	3.99%	3.49%	3.49%
Above \$45,950 and up to \$68,925	5.49%	4.99%	4.99%
Above \$68,925	6.49%* or 7.49%**	5.99%* or 6.99%**	5.99%* or 6.99%**

* Primarily based upon a FICO score lower than 640; or a debt-to-income ratio above 50%; and no bankruptcies within the past 2 years.

** Primarily based upon a FICO score of 640 or greater; and a debt-to-income ratio of 50% or less; and no bankruptcies within the past 7 years.

This chart provides an example of the Area Median Income document, which includes both the 80% and 120% income limits.

2016 Income Limits

HH Size		1	2	3	4	5	6	7	8	9	10
2016 SMI (80%)		35,908	46,956	58,005	69,053	80,101	91,151	97,947	109,040	120,133	131,227
2016 SMI (120%)		53,862	70,434	87,008	103,580	120,152	136,726	146,920	163,560	180,200	196,840
County	Income Limits										
Albany County	80%	45,950	52,500	59,050	69,053	80,101	91,151	97,947	109,040	120,133	131,227
	120%	68,925	78,750	88,575	103,580	120,152	136,726	146,920	163,560	180,200	196,840
Allegany County	80%	35,908	46,956	58,005	69,053	80,101	91,151	97,947	109,040	120,133	131,227
	120%	53,862	70,434	87,008	103,580	120,152	136,726	146,920	163,560	180,200	196,840
Bronx County	80%	50,750	58,000	65,250	72,500	80,101	91,151	97,947	109,040	120,133	131,227
	120%	76,125	87,000	97,875	108,750	120,152	136,726	146,920	163,560	180,200	196,840
Albany County	80%	45,950	52,500	59,050	69,053	80,101	91,151	97,947	109,040	120,133	131,227
	120%	68,925	78,750	88,575	103,580	120,152	136,726	146,920	163,560	180,200	196,840
Allegany County	80%	35,908	46,956	58,005	69,053	80,101	91,151	97,947	109,040	120,133	131,227
	120%	53,862	70,434	87,008	103,580	120,152	136,726	146,920	163,560	180,200	196,840
Bronx County	80%	50,750	58,000	65,250	72,500	80,101	91,151	97,947	109,040	120,133	131,227
	120%	76,125	87,000	97,875	108,750	120,152	136,726	146,920	163,560	180,200	196,840
Broome County	80%	35,908	46,956	58,005	69,053	80,101	91,151	97,947	109,040	120,133	131,227
	120%	53,862	70,434	87,008	103,580	120,152	136,726	146,920	163,560	180,200	196,840

Recommendations for Communicating Interest Rates

- Discuss the interest rate associated with the highest income level to not overpromise
 - Energy Efficiency Projects: NYSERDA offers a loan program with interest rates up to 7.49%
 - Renewable Energy/Combined Projects: NYSERDA offers a loan program with interest rates up to 8.49%
 - For Smart Energy Loans, a .5% discount applies if you pay with direct ACH payments.
- The goal of the interest rates is to cover the cost of issuing residential loans. Energy efficiency and renewable energy loans have separate interest rates because it costs NYSERDA different amounts to sell these loans to the capital markets.
- Interest rates will be lower for lower income customers and customers who lack access to traditional financing i.e., those households who most need energy efficiency and those who most need our help to acquire services.
- Emphasize the health benefits and project savings not the difference in interest rates so that it speaks to how the customer often sees some of their money back through the reduction in their bills.

Application Overview

Application Overview

- The loan application and incentive application have been combined into one.
- Application for **Single Family Owner Occupied Property** – Applicant/Co-Applicant must own and reside at the property.
- Application for **One- to Four- (1-4) Family Property** is for two- to four- family properties, or for single family properties where the Applicant and/or Co-Applicant do not own and reside at the property.

Single Family Owner-Occupied Property Application

- Applicant – Person applying for loan and/or incentive. The Applicant must both own and occupy the installation property.
- Household Members - All individuals living at the installation property (whether full-time students living in the household or not)
- Household Income - The interest rate will be determined based on the household income of all income recipients (age 18 or over and who are not full-time students) the loan type, underwriting criteria, and project type (energy efficiency, renewable, or combined).
 - If the Applicant does not want to provide the required income information to be considered for a reduced interest rate loan the Applicant may opt-out in Section 2.

- Using this application the Applicant can apply for the following:
 - Financing only → Complete Section 1: General Information, Section 2: Financing Information, Section 4: Consent Information and Signatures
 - Financing with a reduced interest rate loan → Complete all sections (Section 1 through Section 4)
 - Incentive only → Complete Section 1: General Information, Section 3: Household Income Information, Section 4: Consent Information and Signatures
 - Financing and an incentive → Complete all sections (Section 1 through Section 4)

One- to Four- (1-4) Family Property Application

- Applicant – Person applying for loan and/or incentive. The Applicant does not need to own nor occupy the installation property.
- Household Members - All individuals living at the installation property (whether full-time students living in the household or not)
- Household Income - The interest rate will be determined based on the household income of all income recipients (age 18 or over and who are not full-time students) the loan type, underwriting criteria, and project type (energy efficiency, renewable, or combined).
 - If the Applicant does not want to provide the required income information to be considered for a reduced interest rate loan the Applicant may opt-out in Section 2.

- Using this application the Applicant can apply for the following:
 - Financing only → Complete Section 1: General Information, Section 2: Financing Information, Section 4: Consent Information and Signatures
 - Financing with a reduced interest rate loan → Complete all sections (Section 1 through Section 4)
 - Incentive only → Complete Section 1: General Information, Section 3: Household Income Information, Section 4: Consent Information and Signatures
 - Financing and an incentive → Complete all sections (Section 1 through Section 4)

- Section 1: General Information
- Section 2: Financing Information
- Section 3: Household Income Information = Financing and Incentive Application Addendum
 - Section 3 is the Addendum which captures all income recipients within *each unit* of the installation property.
 - The Addendum must be provided for each unit to be income-qualified for the reduced interest rate and/or income-eligible incentive.
- Section 4: Consent Information and Signatures

Interest Rates for One- to Four- (1-4) Family Properties

- If at least 50% of the units are up to 80% AMI/SMI, the rate is 3.49% or 3.99%
- If at least 50% of the units are up to 120% AMI/SMI, the rate is 4.99% (could be a mix of moderate/low income)
- Otherwise the rate is 5.99% or 6.99% or 7.99% (Tier 2 or Market Rate)
- If the Applicant is low- to moderate-income and lives in the property, then no additional units are needed to qualify for a lower interest rate.

Auto-decisioning for Financing

Auto-decisioning

- EFS now has auto-decisioning- a new functionality for the customers' loans. Now a customer applying online will know in seconds if they have been conditionally pre-approved for financing.
- Auto-decisioning helps simplify every step of loan origination and improves processing times.
- Auto-decisioning is the automatic assessment of information provided by the customer at the time of application: qualifying ratios, risk-rating parameters combined with credit bureau scores to automatically decision loans.
- For customers not conditionally preapproved, an EFS loan specialist will provide a response after standard underwriting is complete.

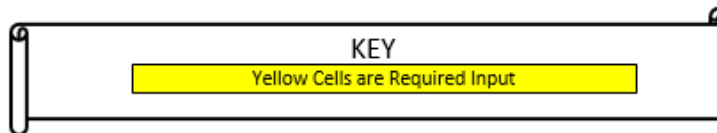
Auto-withdrawal

- The loan origination system will have an automated feature that enables NYSERDA to regularly review application pipeline status. Applicants not meeting the stated timelines will have their application withdrawn unless they have requested an extension.
- If the application was submitted on-line and is withdrawn, an automated email will be generated to the Applicant stating the following:
 - ❖ The status of your application with EFS has changed. Your loan application has been withdrawn. This change may have occurred per your request, or may indicate that your loan application has expired. For more information, or if you would like to reactivate your application, please call or email your loan specialist.

Proforma Updates

Proforma Updates

- The Proforma Tools now have the ability to calculate loan eligibility based upon available interest rates.
- A new drop-down box has been added to the Project Information section of the Proforma Tools which allows the interest rate to be selected based upon the interest rate provided in the EFS PreApproval letter.



Project Information	
\$150 Processing Fee Financed?	<input type="text" value="Yes"/>
Total Cost of Project	<input type="text" value="\$20,000.00"/>
NYSERDA PV Incentive	<input type="text" value="\$2,000.00"/>
Annual kWh Produced by System	<input type="text" value="6,000"/>
Customer Utility	<input type="text" value="Central Hudson"/>
Customer Contribution	<input type="text" value="\$6,000.00"/>
Preapproved Interest Rate	<input type="text" value="4.99%"/>
Annual Value of kWh Generated (Estimated)	<input type="text" value="\$888.00"/>
Average Measure Life (Years)	<input type="text" value="20.00"/>

Useful Links

Useful Links

- <https://www.nyserda.ny.gov/residential-financing>: to access applications
- <https://www.nyserda.ny.gov/interest-rate-estimator>: information on household eligibility and interest rates
- <http://www.nyserda.ny.gov/About/Green-Jobs-Green-New-York/Advisory-Council/Meetings>: Information on loan fund sustainability

Q & A Session

All questions, comments, or recommendations should be emailed to residential.financing@nysesda.ny.gov.