

**789 Main St**

**[City], [State] 19890**

If you have questions about this RFP, please contact:

**Lead Contact for RFP**

Cary S. Ford, Projects Manager

**Questions & Communications**

:

**Send Proposals to:**

**City of [ ]**

**Office of Sustainability**

•

users (and, possibly in the future, small commercial and non-profit energy users);

manage a loan loss reserve fund (“LRF”), or other credit enhancement mechanism (see

•

Section 5), funding for which shall be provided by the City to enhance the credit structure

of the Loan portfolio;

originate and provide energy efficiency (“EE”) loans (“Loans”) to residential energy

provide related Loan administration services, e.g., billing and collections; and

•

provide reports on the Loan portfolio and LRF.

•

1

is seeking a financial institution (FI) partner to participate in its city-wide energy efficiency

800-123-4567, CFord@City.gov

**1.**

**Request for Proposals (“RFP”)**

Based on a grant from the [ ] State Energy Fund (“SEF”), the City of [ ] (the “City”)

initiative (“Program”). We are requesting proposals from FIs to provide the following services:

assist in final structuring of the energy efficiency loan program, in collaboration with the

•

City and its financial advisor, Energy Finance Corp. (“EFC”);



[NOTE: Numbers and any fictional names are used for illustrative purposes]

**REQUEST for PROPOSALS (RFP)**

**for Residential Energy Efficiency Loan Facilities:**



**[ ] City**

**Proposal Due Date**

**September X, 2010 at XX:00 a.m.**

:



**[INSERT GRANTEE LOGO]**



expected, potentially utilizing a fixture filing (UCC-1) on installed equipment that will assure the

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Loan tenors are expected to be extended. For example a loan tenor of 5

*Extend tenors.*

loan-to-value as an underwriting criterion.

choose to file a deed of trust on the property being improved but are not expected to include

lender’s claim will be settled on a property sale, transfer, or refinancing event. Lenders may also

years could be extended to 10 – 15 years, allowing for the monthly loan payment to closely

•

Unsecured loan sizes between $3,000 - $20,000 are

*Increase size of unsecured loans.*

The LRF will be expected to have the following impact on loan underwriting guidelines:

encouraged by FIs, some of whom have already demonstrated great interest in this approach.

2

investment in the project and the loan.

willingness to improve their homes demonstrates willingness to pay and a higher personal

The assumption here is that although the potential borrower may have poor credit history, the

between the City and the lender.

have no minimum, just adjusted rates. Alternative and holistic approaches to credit will be

•

Credit score requirements could be as low as 600 to 650 or

*Lower minimum credit score.*

match the energy savings.

Proposed structure of the LRF (Section 4);

implementing agreements for the LRF and for operating and marketing the Loan facilities

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Description of the RFP process that will lead to selection of FI partner and execution of

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Prescribed format and content for FI proposals in response to this RFP (Section 5); and a

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(Section 6).

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Proposed structure and terms of the proposed Loans (Section 3);

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Program background (Section 2);

This RFP provides:

The proposer is asked to discuss all financial variables in its response to this RFP; and, for

instance, where this document sets out an example percentage, ratio, or dollar figure, the

proposer is asked to select an appropriate figure in its response. The bulk of these issues are

addressed in Section 5.4.3 and discussed in greater detail in Sections 2, 3, and 4. The proposer

may also choose to submit multiple options to reconcile trade-offs in its final response to the

RFP. Selection of the FI will be a selection for negotiation—that is, the City and the FI will

further refine the elements of the proposal to arrive at final agreements.

The RFP process will identify the FI(s) that can offer the lowest rates, longest tenors, broadest

access to finance, the greatest marketing and geographical capacity, as well as the FI(s) with

sufficient assets to meet the lending demand created by the City marketing and campaign efforts.

The lender FI will be selected for negotiations, at which time the final structure of the loan loss

reserve fund and, if applicable, the interest rate buydown budget will be solidified. The terms of

the loans and credit enhancement budgets will be laid out in a Loan Loss Reserve Agreement

For further phases of the Program, the City is interested in an FI’s capacity for financing

2.2.

Target Markets & Projects. Initial target markets for the Loans are residential buildings

in the City. Eligible FI proposers need to have the capacity to serve the City’s residential

housing community.

Target buildings will be identified by energy efficiency audits coordinated by the City and

conducted in conjunction with utilities and other partners. Marketing partnerships are being

established with equipment vendors and installers, project developers, and contractors. The

Program will generate a flow of EE projects and market the selected FIs’ financial products to

customers.

*Note:*

energy efficiency projects in the small commercial and small non-profits sectors.

The typical sizes of single-family residential EE projects are expected to be in the range of $3-

20,000 with an average Loan size of $6,600 estimated (after rebates and incentives). The Program

targets up to $20 million in total lending over two years. Further description of target EE lending

amounts is provided in Section 2.4.

2.3.

Energy Efficiency Equipment. Many types of energy efficiency measures will be

financed.

3

meet the requirements of the Program and the Grantors. Preparation of projects will include

**Background on the Energy Efficiency Program**

2.1.

The Program: The City, in conjunction with its partners, targets the development,

financing, and implementation of energy efficiency projects in the residential sector. An

essential part of the Program is to arrange financing solutions for participants, allowing them to

overcome the first-cost barrier and pay for EE improvements over time, matching energy cost

savings with Loan payments. EFC is serving as financial advisor to develop the financing

component of the Program, evaluate and interview FI potential partners, and prepare the LRF

implementing agreements. [A Local non-profit or community action agency Partner] (”Non-

Profit”) will be working with residential energy users to prepare energy efficiency projects that

**2.**

conducting facility energy audits, developing a customized energy action plan, assisting with

available rebates, and lining up contractors and bids.

The City will devote up to $1,000,000 from its Credit Enhancement (“CE”) grant, received from

the SEF to provide loan loss reserves and/or other credit enhancements, including interest rate

buydowns, to support energy efficiency financing. The partner FI will provide energy efficiency

Loans to customers. The LRF structure takes a “portfolio approach” to the credit structure of the

EE loan program. The FI will be making a large number of relatively small EE loans. The LRF

will support the whole EE loan portfolio and can be sized at a margin higher than the portfolio's

estimated loan losses.

The use of interest rate buydowns is also an acceptable use of SEF CE grant funds. Interest rate

buydowns may be used to help stimulate target markets and increase the uptake of energy

efficiency services offered by the City.

**Loan Budget for 2010-2012**

Average Project Size

$8,000

experience and market response.

the partner FIs and to further adjustment and reprogramming during operations based on the

and a 40% rate of loan uptake versus self-finance, and are subject both to final negotiations with

significantly in cost. These budgets are based on the City’s current staff and partner capacity,

resulting in a target lending amount of approximately $20 million. Actual projects will vary

the total project cost. The lending amounts are geared to a loan loss reserve fund of 5%,

summarized in the table below. Average utility rebates and incentives are estimated at 20% of

4

costs.

Incentives and Rebates are estimated to pay for 20% to the total project

**$6,400,000**

**Total Lending through 2012**

Target Lending Amounts. The City has prepared estimates of EE lending targets,

1,000

Total # of Loans

$6,400

Average Loan Size

$1,600

Average Rebates and Incentives

•

•

hot water heater and piping insulation

•

lighting

•

insulation

new central heating systems

air sealing building envelope

•

Appliance replacement

•

Air duct sealing

**Typical Residential Energy Efficiency Measures include but are not limited to:**

appraisal.

2.4.

The City will make the final determination on project eligibility.

can be included in the Loans, up to a maximum percentage of 20% at the discretion of the City.

may be necessary to repair a faulty roof. Non-EE projects necessary to facilitate EE measures

facilitate installation of the EE measures. For example, before attic insulation can be installed, it

In some cases, building owners will need to make non-EE repairs on the buildings in order to

projects meet these criteria can be shared with partner FIs as part of Loan origination and

equipment suppliers, consulting engineers, and utilities. Technical studies confirming that

savings and other qualitative and economic criteria developed by the City in consultation with

A complete definition of “eligible energy efficiency projects” will be developed based on energy

•

Double-paned windows

•

[Non-Profit] is a mission-driven, not-for-profit organization. Its program costs are being paid

Offer Loans according to the agreed range of terms and subject

*Energy efficiency Loans.*

improve the Program.

•

. Develop creative options to enhance and

*Creative Collaboration in Program Design*

The FI will provide:

by SEF funds, foundation grants, and utility sponsorship of its programs.

•

•

Develop and implement the workforce training program.

*Workforce Training.*

implement projects.

projects, organize audits, and evaluate and work with qualifying EE sub-contractors to

development services to interested customers. Develop and implement residential sector

•

. Coordinate delivery of engineering and project

•

5

and must outline these in their response to this RFP.

agreement terms with customers. Banks must follow their normal collection procedures

repossess energy efficiency equipment in event of Loan default, subject to Loan

•

Collect Loan payments and develop agreement to

*Loan collections and administration.*

creditworthy customers to achieve high levels of access to Loans for customers.

Focus Project development efforts with

*Customer credit pre-screening services.*

mortgage holders, business account holders, and personal account holders).

partners. Marketing can be done through multiple channels (e.g., mailers to current

•

Originate Loans and service the Program in cooperation with other Program

*Marketing.*

to FIs’ credit approval.

partners and parties.

Sustainability for All will provide:

$20,000,000 in EE loans.

10% leverage percentage, this amount can serve as an LRF for $10,000,000 -

including interest rate buydowns, to support energy efficiency financing. Based on a 5-

reserve,’ according to a formula to be negotiated, and/or other credit enhancements,

Loans from the partner FI. The credit enhancement will be in the form of a ‘loan loss

•

Up to $1,000,000 will be used for credit enhancement for energy efficiency

*CE Funding.*

*Program Design.*

•

Lead role to coordinate project implementation among all

*Program Coordination.*

The City will provide:

partners are described below. Proposer is free to suggest other/additional roles as appropriate.

Roles of the Program Partners. Main and suggested roles of the several Program

2.5.

*Project Engineering & Development*

standards before Loans can be approved.

•

. [Non-Profit] will verify that projects meet EE and other germane

*Project Vetting*

marketing the FI’s Loan products.

other partners. Conduct community-based neighborhood campaigns. This includes

•

Organize & conduct marketing campaign for all sectors, coordinating with

*Marketing.*

reports to SEF as per agency requirements. Provide required reporting for SEF grant.

•

Contract with FI to collect, prepare, and submit Program

*Reporting and Monitoring.*

financial structuring.

•

Lead Program design and assist the City, EFC, and the FI with initial

positive cash flow. Thus, the Loan offer is integral to marketing.

•

. The selected FI will market the Program to its existing

*FI’s Existing Customers*

explored and developed:

following Loan marketing strategies and alliances are recommended and should be further

Loan marketing will be integrated with the overall Program marketing. In addition, the

portfolio of residential customers. The FI will identify customers, make contact, present the

energy cost savings offset the amount of the monthly Loan payments to generate immediate

Further, the FI should have a goal to structure projects so that the dollar amounts of the estimated

financing, so the availability of the Loan can overcome this barrier and motivate participation.

Loan Marketing. A common challenge to implementing EE measures is lack of

2.6.

review by the City.

mortgage refinancing and incorporate the EE project investment into the new first mortgage

6

that reach and manage multiple properties and property owners. These deserve special sales

•

. The Program and Loan offers can be marketed to entities

*Other Market Aggregators*

principal, provided the project can be developed within the refinancing time frame.

FIs will use their own form Loan agreements with borrowers, which form shall be subject to

•

. There is an opportunity to piggyback EE investments with

*Mortgage Refinancing*

LRF mechanism can engage with the Program in this way.

customers could be pre-screened for Loan eligibility. Even FIs that are not participating in the

Program and bring them to the City or [Non-Profit] for project development services. These

*Energy efficiency audits.*

*Marketing.*

EE project costs, according to the utility cost-effectiveness criteria.

•

Provision of financial incentives (rebates) typically for 15-25% of

*Financial incentives.*

•

Utilities will provide nominal incentives toward audits.

Utilities will provide:

default situations, and other matters (subject to customer privacy policies).

•

on success of Loans, collections activity in

Information and coordination

roles of the parties in Program marketing and delivery, Loan origination, and reporting.

Profit], where the City acts as a Program coordinator, will be executed to define the respective

Second, an Energy Efficiency Loan Program Agreement among the FI, the City, and [Non-

FI and the City. Expected terms for the LRF Agreement are discussed in Section 4.3, below.

implement this Program. First is a Loan Loss Reserve Agreement (LRF Agreement) between the

Program Implementing Agreements. The selected FI would undertake two key agreements to

*Reporting.*

contractors.

•

Utilities will provide random inspections to serve as quality control for

*Oversight.*

utility data.

•

Some marketing and education to customer base, along with providing some

typical.

provide a published interest rate index as a benchmark for Loan pricing. However, the FI may

Rates will be fixed for each Loan at the time of Loan application approval. FI will be asked to

the type of loan product, or below, factoring-in the extra security offered by the loan loss reserve.

•

. Our starting assumption is that interest rates will be market-based for

*Interest rate*

include a proposal to use a portion of the funds as interest rate buy-downs, if this is perceived to

•

. For Residential, 7-15 year terms are planned, with 10 years being

*Loan terms*

the works.

estimated energy and cost savings, sources of financing, and contractor plan for implementing

plan and feasibility study specifying the intended measures to be implemented, their costs,

*Loan size: minimum & maximum*

7

in the LRF Agreement.

rate of loan uptake versus self-finance). Milestones for lending will be agreed upon and set forth

projects over the next two years, enabled by $6,400,000 in lending (1000 loans, assuming a 40%

•

. The City anticipates completing a total of 2500

process, coordinating with the FI. The Loan application will include an EE project investment

amortized “mortgage style,” that is, level payments of interest and principal.

•

. Monthly payments in arrears are anticipated, with Loans

*Payment schedule*

increase participation in the lending program.

will be offered. While it is anticipated that unsecured Loans will be the primary form, more than

. Residential homeowners will be eligible to borrow under the

*Eligible borrowers*

product term sheets should be included in the RFP response.

the Loan products. These details will be finalized with the selected partner FI. Preliminary Loan

mortgage lien) and an unsecured Loan product. The following list summarizes typical terms of

one financial product may be offered for residential customers—both a secured (second or third

•

access to financing for EE projects in the City, initially. Only single family, residential Loans

The goal of the Program is to offer EE Loans on attractive terms and longer tenors and broaden

**EE Loans**

**3.**

projects.

(see table in section 2.3 above) located in the City. The City will be responsible for applying

The City and other partners will collect information from property owners in the application

•

. Standard loan application materials will be provided by the FI.

*Loan application*

EE investments will also be considered and can equate to 20% of the overall Loan.

State and utility standards to determine whether a project is eligible. Home repairs that enable

initiative and offer the opportunity for one high-level sale to result in an aggregated set of

•

. All types of residential energy efficiency projects and equipment

*Eligible Projects*

energy efficiency projects, based upon the credit enhancement provided by the LRF.

Program. FIs should consider setting specific lending criteria that broaden access to credit for

•

. To be developed

*Loan disbursement & flow of funds during project construction*

equipment.

cost-savings can be included in this calculation. The FI can also file a UCC-1 on the installed

rebates or incentives, or other rebates and incentives. A prudent portion of estimated energy

anticipated. Borrower contribution, if needed, can be paid by personal contribution, utility

mortgages are expected to be required with maximum loan-to-value ratios of up to 100%

unsecured Loan products may be offered. For residential secured Loans, second and third

•

. To be proposed by FI. Both secured and

with FI. The simplest method is a single loan disbursement to contractor, authorized by

*security*

*and*

*Loan underwriting guidelines*

**Lending**

$6,400,000

8

on leverage ratios of between 10:1 and 20:1. This leverage ratio may be higher or lower,

anticipate that the FI will to be able to lend from $10,000,000 up to $20,000,000 million, based

terms, lower interest rates, and broader access to finance. With $1,000,000 in LRF funds, we

make EE project Loans throughout the City. The LRF is intended to enable the FI to offer longer

from the grant the City received from SEF for credit enhancements to support the partner FI to

Loan Loss Reserve Fund. The City will devote an estimated $1,000,000 in CE funds

4.1

**Total Residential**

**Use of CE Grant Funds**

**4.**

will be sought. Partial prepayment option is not anticipated.

•

. Option to prepay the outstanding Loans in whole without penalty

*Prepayment option*

implementation.

advances for larger projects will be investigated. Multiple projects may be grouped for

borrower, following completion and acceptance of the project. Methods for construction

1500

2011-2012

**Total Projects**

1000

2010-2011

average Loan amount of $6,400.

approximately $1,600 of which is expected to be paid through rebates and incentives, leaving an

anticipated. The average project cost is expected to be ~$8,000, with, an average of

Agreement between the City and the FI partner; however, a $3,000 minimum Loan size is

The actual parameters for the minimum and maximum loan size will be determined in the LRF

**Net rebates & incentives**

$6,400

**Average Size of Loan –**

**Total # of Loans**

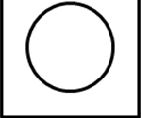
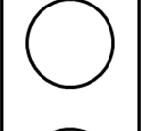
1000

**Getting Loan**

40%

**Percent of Projects**

2500



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making a large number (up to 3000 in the next few years) of relatively small EE Loans. The

whole EE Loan portfolio and is intended to be sized at a margin probably higher than the

portfolio's estimated Loan losses.

SEF CE grant monies will be deposited with the partner FI pursuant to an LRF Agreement

between the City and the FI. The LRF Agreement will create three accounts: an escrow account

(“Escrow Account”), a reserve account (“Reserve Account”), and an account to house funds that

are retired from the Reserve Account after Loans have been fully paid (“Reflow Account”), all

specifically defined in the LRF Agreement. Monies ($1,000,000 of SEF CE grant funds) will

first be placed in the Escrow Account at the participant FI. Then, for example, on a quarterly

basis (the timing of the transfer is another variable that should be determined by proposer), as the

FI makes eligible EE Loans, the agreed amount of funds for the loss reserve will be transferred

from the Escrow Account to the Reserve Account. Once funds are transferred to the Reserve

Account, they are available for the FI to draw on in the defined event of loss. The LRF structure

takes a “portfolio approach” to the credit structure of the EE Loan program. The FI will be



goal of the credit enhancement is to create sufficient loss reserves—from LRF funds and the FI’s

own loss provisioning—to cover the estimated level of losses. With such reserves in place, in

the event of a Loan default the lender will remain whole, at least to recover principal, at loss

levels at or below the planned level.

The structure of the LRF is illustrated below:



depending on the risk assessment by the FI respondent to this RFP. The LRF will support the



between the FI and the City.

standard default recovery mechanism (see next bullet).

cover legitimate principle losses due to default that are otherwise unrecoverable using the FI’s

•

The “Reserve Account” is available to the FI to

*Definition of the Reserve Account.*

transfer into the Reserve Account, will be controlled by an Escrow Agreement executed by and

SEF CE grant monies deposited by the City with the partner FI. Funds in this account, and their

•

The “Escrow Account” will house the original

*Definition of the Escrow Account.*

*e.g.*

10

audited by a third party at the request and expense of the City.

from the City. Any Reserve Account monies paid back to the FI to cover loan losses may be

from the Reserve Account to cover the agreed loss share, without obtaining further approval

, 30 days, then the FI can disburse funds

borrowers. A certain number of days after this event,

interest rate buydowns). Key terms of the LRF Agreement include the following:

to its defaulted borrower demanding all payments due under the Loan Agreement between FI and

FI’s Loan Agreement with its borrower and will occur when the FI gives its acceleration notice

Loan. “Event of Loss” will be tied to the definition of Loan default and acceleration under the

•

. “Loss” will be defined as principal only on the

*Definition of Loss & Event of Loss*

equally, or perhaps even more, important goal of creating broad access to finance. These trade-

more Loans. Thus, there is a trade-off between the public goal of high leverage ratio versus the

protection for the lender, which can result in relaxed underwriting requirements and approval of

leverage ratio means less lending per a given amount of LRF funds. This implies greater risk

•

. A lower

*Trade-offs among the leverage ratio, Loan security, and access to finance*

offs should be evaluated by the proposer and reflected in its final proposal. Proposals could offer

same as a leverage ratio of 20:1 to 10:1.

the EE Loan portfolio. Presently, we are thinking this will be in the range of 5-10%, which is the

The first parameter is the ratio of the LRF funds to the total original principal amount of Loans in

Risk-Sharing Formula. The risk-sharing formula will have two main parameters:

4.2

administration, and recoveries will be maintained. Both of these parameters are to be proposed

the final terms of the LRF Agreement, the Program may also include a portion of funds used for

Agreement will be executed by and between the FI and the City (depending on the proposal and

LRF Agreement. To implement the finance program with the selected FI, an LRF

4.3

by the FI and will be defined in the final agreements between the lender and the City.

the LRF is exhausted will be borne by the FI, FI incentives for good Loan origination,

will be borne by the FI and covered from its normal loss-provisioning. Because all losses after

We anticipate this will be considerably less than 100%, which implies that a portion of the loss

The second parameter in the risk-sharing formula is the share of losses that the LRF will pay.

maximizes access to finance, and one that balances the two).

up to three options on this point (e.g., one that maximizes interest rate and loan tenor, one that

in the Reserve Account drops below that reserve percentage, the amount in excess will be

under the above bullet (presumptively monthly or quarterly—FIs should make a

will occur on the same schedule as funds are transferred under the availability period determined

). Distribution of funds from the Reserve Account to the Reflow Account

*the Escrow Account*

determined by the City per the LRF Agreement (see bullet below on

*Reprogramming Funds in*

support further EE lending or otherwise enhance credit for EE loans, unless otherwise

At this time, it is anticipated that funds transferred to the Reflow Account will be designated to

transferred to the Reflow Account for additional eligible uses under the DOE/SEF requirements.

leverage ratio percentage times the amount of outstanding loans. When the amount of the loans

the Reserve Account, the amount of which, in a fully subscribed portfolio, will be equal to the

•

. Funds will remain in

*Disposition of Loan Loss Reserve Funds at end of Loan Period*

grant requirements.

11

portfolio, the ratios in the LRF could be reduced.

o

Please consider whether, upon a lower-than-expected rate of default on the

funds from the Escrow Account to the Reserve Account will be defined and tied to the SEF CE

be on-lent for the purposes of EE energy projects.

requirements. But at this time, the City anticipates that the monies in this Reflow Account will

future use of the funds can be redirected by the City in accordance with SEF and federal DOE

Reserve Account funds will be transferred back to the Reflow Account, and, from there the

(the conditions for this eventuality will also be spelled out in the LRF Agreement), all re-flow

When the EE Loan portfolio is fully retired

recommendation on this point in their response).

•

. The parties will agree in advance on underwriting guidelines

*Underwriting criteria*

be distributed back to the Reserve Account in proportion to the FI’s share of losses.

recovery actions on defaulted Loans. Recovered monies, net of reasonable collections costs, will

•

. The FI will be responsible for

for the Loans. FI will be able to protect Loans through the Reserve Account that meet the

*Responsibility for and Distribution of Recoveries*

includes “topping off” the LRF to enhance its sustainability over time.

regulations state that all interest accrued must be used for eligible program purposes, and this

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Interest shall accrue to the City on all accounts. Federal

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. The timeframe for adding Loans to the portfolio and shifting

*Availability Period*

report, the FI will also indicate any inchoate losses or acceleration notices.

and collections, on all activities on the Escrow, Reserve, and Reflow Accounts. In each monthly

Loan portfolio, including the number and amount of outstanding Loans, payment performance,

*Interest on Accounts***.**

. The FI will provide regular monthly reports on the EE

*Reporting & Monitoring*

Loan size, Loan tenors, etc.

will be enumerated, including eligible borrowers, eligible projects, minimum and maximum

mutually re-negotiated and written amendment to the LRF Agreement. The terms of the Loans

underwriting criteria. Underwriting criteria can be adjusted during the course of the Program as a

CE grant funding provided only. The FI is at risk for the repayment of all Loan amounts in the

. We expect to select one financial institution to serve

*Number of Participating FIs*

support further EE lending or another use determined by the City.

place until the Loan portfolio is retired, at which point any remaining funds will be designated to

origination and administration must be maintained. The Reserve Account must and will stay in

EE Loan portfolio in excess of the loan loss reserves provided. Therefore, prudent lending

•

lender. There is no guarantor in this mechanism. The liability of the City is limited to the SEF

commercial lending by sharing risk with the partner FI, but it does not eliminate risk for the

; it uses the SEF CE grant funds to mobilize

**The LRF mechanism is not a loan guarantee**

this in its response.

necessary level of risk-sharing during the portfolio ramp-up period. The FI is asked to consider

experience, grant funds may be used for interest rate buy-downs. In addition to the LRF, interest

12

amount of the rate buy-down can be adjusted based on market experience. The cost of interest

considered for this purpose. The market response must be tested, and the existence of and the

facility is fully subscribed. An interest rate buy-down of 1% on 10-15 year loans could be

proposition to the borrowers in this economic climate, ensuring that the CE grant supported loan

EE projects and the uptake of EE loans. This strategy may be necessary to improve the value

rate buy-downs have the ability to further reduce interest rates, improving the implementation of

beginning, a larger contribution to the Reserve Account may be negotiated to give the FI the

monies will be used as loan loss reserves, but, based on program and residential market

•

It is intended that the CE grant

*Alternative Uses of Funds – Interest Rate Buy-Downs.*

the City’s Program.

the principle in the Reflow Account to increase the amount of LRF funds available for future EE

between the City and the FI, reasonable lending targets will be established. The City will have

Escrow Account and the Reflow Account belong to the City. As part of the negotiating process

•

. Funds in the

*Reprogramming Funds in the Escrow Account and the Reflow Account*

lending.

the option to re-allocate the funds in the Escrow Account, if the targets are not met, to a different

scaleable, and fees not used directly to cover development and operations costs will be added to

These fees also represent another source of income to make the Program sustainable and

by the borrower and will be used by the City to pay Program development and operations costs.

amount of all Loans added to the Loan portfolio. These fees can be added to the Loan and paid

•

. Under the Program, the partner FI will pay a 1% fee of the principal

*Program Fees*

credit enhancement. The Agreement will indicate the ability of the City to reprogram uses of

these funds, as needed, to adapt to Program operating experience. Funds could be used for

interest rate buy-downs and other incentives to increase marketability and uptake of Loans. FIs

are asked to give other creative ideas on how to use SEF CE grant monies in ways that will

support financing and Program goals. Please discuss these options, along with figures, if any, on

the cost of buying down interest rates.

*Accommodating the portfolio “ramp-up” period*

. Before the portfolio builds up, a

•

single loan loss can be a large percentage of the outstanding total Loan principal. Thus, in the

Proposals due

partners in the Program. This meeting is optional.

representatives from the City, and the various other

[Date]

Pre-bid Conference among financial institutions,

[Date]

[Date]

RFP issued by the City

Target date to complete LRF Agreement and Program

13

Agreement

[Date]

and schedule for the RFP process are as follows:

[Date]

FI selected by the City for negotiations

The City aims to leverage the CE grant funds to the greatest extent possible, recognizing that

reprogram all funds in order to further the program goals and to enable more EE projects. The

•

. SustainableWorks maintains the flexibility to

*Flexibility to Reprogram Funds*

projects are implemented.

funds will be used as interest rate buy-downs or other credit enhancements, to ensure that

the City do not respond to the terms and rates offered by the selected FI, then a portion of the

interest rate buy-downs result in one-off spending of ARRA funds. However, if the customers of

City will continuously evaluate the Program’s success in each community and region, gauging

each credit enhancement mechanism.

opened for these funds for reporting and tracking purposes. This practice will be maintained for

are originated. If funds are used as interest rate buy-downs, a separate Escrow Account will be

to reduce the rate. The present value of the interest rate buy-downs are paid to the FI as the loans

will be deposited with the FI. These funds would be drawn down by the FI as the loans are made

Agreement between the City and the partner FI. The agreed budget for interest rate buy-downs

on a 15 year loan is estimated. Interest rate buy-downs, if any, will be addressed in the LRF

early loan prepayment. A price of 4.75% of loan principal to buy-down the interest rate by 1%

provision for interest rate buy-down funds.

RFP Schedule. [Designated personnel], of the City, will manage this process. Key steps

5.1.

**RFP Process**

**5.**

rate buy-downs are a function of the loan term and also will be priced to reflect assumptions on

Account can be reprogrammed by the City. The LRF Agreement will also include a similar

Until funds are moved from the Escrow Account to the Reserve Account, funds in the Escrow

all funds (the Escrow Account and Reflow Account funds and interest rate buy-down funds).

The LRF Agreements will include a provision that will allow the City to retain this control over

EE project.

from one FI to another, provided the funds have not been tied directly to a Loan that supports an

funds from one designated use to another (e.g. LRF to interest rate buy-down or vice versa) or

the effectiveness of the initial designated uses of funds. The City will retain the ability to shift

general content for proposals. Proposers are required to submit

marketing and FI staffing according to the Proposal Outline described below.

•

Proposal: addressing energy efficiency Loan terms, LRF terms, credit underwriting, Loan

•

Cover letter

components:

copies of the following

**electronic**

. These instructions prescribe the formal and

5.4.1

*Instructions and Proposal Outline*

Form of Proposals.

5.4.

5.4.2

14

. Proposals must address the following points:

5.4.3

*Proposal Outline*

responsible authorized official of the FI.

. The cover letter transmitting the proposal must be executed by a

without the need to go out for another RFP.

*Cover Letter*

emails only.

The City seeks to reduce waste in all our activities. Submittals shall be as PDF attachments to

•

Term Sheets for Loan Products

[xxx@City.gov ]. Faxed questions or inquiries will be accepted. The City may modify this RFP

is not responsible for lost or misdirected proposals.

to the City of [ ], Office of Sustainability, 789 Main St., [City], [State] 19890. The City

Proposals will be due no later than [Date]. Proposals shall be addressed and delivered

5.3.

Addenda will be numbered consecutively, the first being A-1.

prior to the date fixed for submission of proposal by issuance of an addendum to all proposers.

the City at the address specified for the receipt of proposals or to the following email:

be handled in writing and distributed the responders. Any written questions shall be submitted to

5.2.

. Questions and answers will generally

*Question and Answer Procedures and Addenda*

notice of intent to propose of any changes.

. This conference is an

originally selected, it will select the next highest-ranking respondent from the original list,

and shall not be chargeable to the City. If the City is unable to reach an agreement with the FI

contract negotiations. Costs for preparing proposals are entirely the responsibility of each proposer

aspects of the FI’s proposal, modifications to which may be requested and agreed to during

The City's selection of a FI pursuant to this RFP process does not mean that the City accepts all

Non-Profit, and other relevant Program Partners will be in attendance.

opportunity for proposers to learn more about the Program and ask questions. The City, EFC,

These dates are subject to change by the City. The City will notify all FIs that have submitted a

Address

An optional “pre-bid” conference will be held at [Date] in

**]**

**[**

Such modifications shall only be made in writing through RFP addenda as indicated above.

shall in no way modify this RFP or excuse proposers from the requirements set forth in the RFP.

Verbal communications with the City are encouraged but shall not be binding on the City and

guidelines and criteria for the energy efficiency Loan program, distinguished by

description of the FI’s approach to (i) credit analysis of borrowers, (ii) underwriting

. Please provide a summary

c)

*Approach to Credit and Underwriting Guidelines*

•

Ideas on interest rate buy-downs

customer market segment, and (iii) credit screening. Please address the Program goal

of these funds to promote the Loans

•

Reprogramming of funds in the Escrow Account and ideas for alternative uses

•

Portfolio ramp-up period

•

the City Program fees

procedures checklist, and (iii) a draft form Equipment/Energy Efficiency Project

15

institution’s qualifications and experience to undertake this Program, including

. Please summarize your

e)

*Qualifications & Experience, Officers and Staffing*

Loan Agreement.

Further, please provide (i) a form Loan Application, (ii) a Loan origination

partners. Describe the preferred roles of the FI in Loan marketing and origination.

FI’s approach to Loan marketing, working jointly with the City and other Program

. Please provide description of the

d)

*Loan marketing, origination, and administration*

of broadening access to finance and how the LRF can support this goal.

Loan Term Sheet).

loan. Please provide Loan Term Sheet(s) for this purpose. (See Annex 1 for example

sectors. For example, perhaps the FI would consider a lower interest rate for a larger

willingness to consider different interest rates for different size loans in each of the

two types of loans: secured and unsecured. We are also interested to see the FI’s

the FI can offer. We are interested to see the FI’s ability and willingness to provide

. Please provide a summary description of energy efficiency Loan terms

a)

*LRF Terms*

*Loan Terms*

lowering barriers to lending so that more borrowers can utilize this Program).

payment amounts are offset by the energy cost savings) and broader access to loans (as practical,

get FIs lending again, by offering the best loan terms (e.g., where possible the monthly loan

grants: to reduce energy usage through energy efficiency measures, to create green jobs, and to

ranges, etc.—all aimed at achieving the fundamental goals of the Program and the SEF CE

addressing and suggesting trade-offs, submitting multiple options where reasonable, suggesting

This is a competitive process. Proposers are asked to be creative in their proposals,

•

•

Disposition of funds at the end of the Loan period

•

Definition of Loss and Event of Loss

•

Separation and definitions of the Escrow and Reserve Accounts

**Note:**

Parameters of the risk-sharing formula

Section 4.3, above, including:

position on key points in the LRF Agreement, working off the terms described in

proposed LRF risk-sharing formula. Please identify and discuss briefly the FI’s

. Please respond to the proposed LRF structure and terms, including FI’s

b)

representatives from the City, EFC, and other Program partners.

•

Attractiveness of the proposed Loan terms, including pricing, tenor, security

the following criteria:

. the City will evaluate proposals qualitatively according to

b)

*Evaluation Criteria*

requirements, prepayment options, etc.;

scored and ranked by an Evaluation Committee. The Evaluation Committee will consist of

Proposals will be reviewed by the City staff for completeness and

a)

*Evaluation.*

.

5.4.4

*Selection Process & Steps to Complete Agreements*

Simplicity and ease of administration of underwriting criteria and Loan origination

16

chart in Section 2.4);

successful (FI should consider matching staffing with estimated loan volumes in the

•

Skills of staff, services, and level of effort the FI will provide to make this Program

procedures and coordination with Program partners;

•

Program goal to broaden access to credit;

•

Clarity and suitability of proposed Loan underwriting criteria and ability to meet the

Program objectives and the objectives of the DOE and SEF;

•

Response to proposed loan loss reserve terms and ability to utilize this to meet the

the FI, be available if and as needed to discuss policy matters, and provide

origination.

•

Indicate the number of branch officers who will be responsible for local Loan

Manager within headquarters; and

•

Other staff, e.g., legal counsel, risk manager, assistants to the Program

program leadership;

•

Senior FI Officer(s), who will negotiate and execute documents on behalf of

origination;

Program who will provide the lead and primary point of contact for Loan

•

Program Manager, headquarters, lead loan officer responsible for this

indicate names of officers who will play the following roles:

. Please describe the FI’s ideas, needs, and

how the FI could implement the Program.

ideas, and materials that demonstrate the FI’s understanding of the Program goals and

. Please feel free to add additional statements,

g)

*Additional Statements and Materials*

City and EFC for possible technical assistance support.

priorities for technical assistance and training. These needs can be discussed with the

current client base (market share) that can be targeted for marketing purposes. Please

f)

*Technical Assistance & Training Needs*

management approach the FI will take to make this Program succeed.

please describe the level of effort and services the FI will devote and the general

provide resumes of other key FI officers to be involved in the Program. Overall,

Please provide a brief resume of the Program Manager and, if desired, please also

Agreement for review and discussion with FI.

provide the form of this agreement to start. Annexes to the LRF Agreement will include: (a)

Loan Application Form; (b) Loan Origination Procedures Checklist, and (c) form Loan

Agreement, among others. All terms of the term sheets and proposed agreements are subject to

negotiation and change.

5.4.6

Steps to Complete the FI, City, and Non-Profit Program Agreement.

Following selection of the FI with which to negotiate, the City will also prepare a draft Program

which to negotiate, the City proposes to proceed to negotiate the LRF Agreement. The City will

**RFP Annexes**

Annex A - Energy Efficiency Loans, Commercial, Draft Term Sheet

Annex B - Proposal Evaluation Scoring Sheet

17

An evaluation worksheet is attached. The City will select one FI with which to proceed to

Numbers of current bank customers (commercial and residential), current numbers of

•

mortgages and building loans/home improvement loans; and

Additional statements, ideas and materials that demonstrate the FI’s understanding of the

•

Program goals and how the FI could implement the Program.

negotiations. Please note: selection of the FIs will be a selection for negotiation—that is, the

City and the FI will further refine the elements of the proposal to arrive at final agreements. If

the City is unable to reach an agreement with the FI originally selected, it will select the next

highest-ranking respondent from the original list, without the need to go out for another RFP.

5.4.5

Steps to Complete the LRF Agreement. Following selection of the FI with

building (e.g. for residential, 7-15 year terms are planned, with 10 years

by level monthly payments of principal and interest for the balance of the

months, estimated) matching the estimated construction period, followed

for consideration: interest-only grace period for up to six months (typical 3

FI requested to propose payment schedule. Payment schedule suggested

:

**Payment Schedule**

being typical).

Loan term. Mortgage-style amortization would allow the payments to be

FI requested to propose Loan term. Loan term will vary with the type of

:

**Loan Term**

$\_\_\_\_ (FI requested to propose).

:

**Maximum Loan**

18

the Loan in one or several installments. A simple method is a single Loan

: FI requested to propose disbursement terms. FI can propose disbursing

**Loan Disbursement**

: FI requested to propose borrower prepayment options.

**Prepayment Option**

anticipated.

fixed for each Loan at the time of Loan application approval.

the mitigated risk (loan loss reserve), and other criteria. Rates will be

FI requested to define range based on Loan size, borrower credit, security,

:

**Interest Rate**

level over the Loan term.

:

**Use of Proceeds &**

FI, after having entered into LRF and Program Agreements with the City.

:

**Lender**

City].

Eligible borrowers include owners of single-family residences in [the

**Eligible Projects**

**Borrowers**

**Draft Term Sheet for Energy Efficiency Loans, Residential**

**Annex A:**

**REQUEST for PROPOSALS for FINANCIAL INSTITUTION SERVICES**

**Sources of Funds**

$\_\_\_\_ (FI requested to propose). A $3-5000 minimum Loan size is

:

**Minimum Loan**

borrower equity.

toward total Project Costs. Energy efficiency grants can be considered as

Borrower will contribute a minimum of \_\_% [e.g., 20%] own funds

:

and installation costs will be eligible.

implement the energy efficiency improvements. Equipment engineering

in energy efficiency projects, and/or in building repairs necessary to

[the City] that meet certain efficiency criteria (to be defined by the City),

Loans must fund investment in energy efficiency measures in buildings in

:

•

:

**Loan Application**

project capital costs

•

Borrower’s own funds contributing minimum \_\_\_% [e.g. 20%] of

•

Income verification

Borrower shall submit the following documents to the FI to apply for the

Employment history - e.g. two years at current job

•

Ratio of debt to total assets of \_\_\_\_\_\_\_\_.

•

Debt to income ratio of \_\_\_\_

•

Other additional documents (to be defined by FI).

19

including FI response time for processing Loan applications, rendering

FI is requested to define Loan origination procedures and schedule,

**Schedule:**

**Procedures &**

**Loan Origination**

Current on utility bills

3.

Taxes for last two years.

2.

Loan application (provided by FI and completed by borrower).

1.

Loan (to be determined by FI, examples follow):

For residential secured Loans, a deed of trust may be required, with

a)

proposed by FI. Sources of security could include the following:

To be proposed by FI. Both secured and unsecured Loan products may be

:

**Security**

**Loan Repayment &**

anticipated loan-to-value ratios of 80-85% and up to 100%. It is

partners to verify project completion.

completion and all reporting requirements. City may rely on Program

approval by the City based upon sufficient verification of EE project

proposed. Loan disbursement on each project will be contingent upon

by the City. Methods for construction advances for larger projects can be

and accepted for payment by borrower, after determination of completion

for completed portion(s) of the project, which invoice shall be transferred

company(ies) performing the project works after the FI receipt of invoice

c)

•

No negative credit history; current on outstanding debts

the commercial borrowers are indicated below:

: FI requested to propose underwriting criteria. Sample criteria are for

**Underwriting Criteria**

LRF funds.

disbursement. The Loan may be disbursed into the account of contractor

may make a UCC-1 security filing.

First security interest in installed equipment can be obtained, and FI

b)

be included in this calculation.

expected that a prudent portion of estimated energy cost-savings will

credit decisions once complete information is received, and closing Loans

on accepted applications.

20

**Other**

**5**

12

Match of FI's proposal with Program goals:

5

15

**30**

10

Loan marketing

10

11

Number of accounts/members

12

Loan origination procedures

5

**Evaluator Name & Date:**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Financial Institution Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Contact Name(s): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

21

100

Total Points

**Approach to the Program & Marketing**

1

FI proposer experience & qualifications

5

2

Skills of staff and proposed level of effort

5

**Energy Efficiency Loan Terms & Underwriting**

**30**

4

Interest rate & fee pricing

**(0-100%)**

**City Energy Efficiency Lending Program**

**Financial Institution Request For Proposal: Proposer Evaluation Worksheet**

**Grade**

**Criteria**

**Point Value**

10

**Score**

**FI Qualifications & Experience**

**10**

7

Proposed risk-sharing formula

10

8

Response on other LRF Agreement terms

5

9

Broadening access to finance: ability to achieve

10

5

Loan tenors

10

6

Underwriting guidelines and security requirements

10

**Annex B – Proposal Evaluation Scoring Sheet**

**Approach to Loan Loss Reserve**

**25**