Negotiating and Partnering with Financial Institutions

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Many faces of energy finance institutions

- Credit Unions (Community First)
- Community Development Financial Institutions (Hawaii Community Reinvestment Corporation)
- Energy Lenders (AFC First)
- Regional Bank (Regions)
- National/International Banks (BOA, Wells Fargo)
- Finance Authorities (NC Housing Finance Authority)
- Utilities (TVA, Manitoba)
- Governmental capital funds (PAST)
Potential roles

• Sources of capital
• Loan origination
• Loan servicing
• Escrow fund management
• Program management
• Marketing
• Other
What’s in it for them

• Origination and servicing fees
• New customers/new members/new business
• Community Reinvestment Act
• Public relations
• Ability to loan capital
• Interest
Background research

- Web site
- Annual Reports
- Contact associations
- Contact past partners
Communication strategies

• One on one meetings
• Workshops/courses
• Task force
• Lender roundtables/forums
• Bidders Conferences

Find the right person with the right level of interest.
Activities

- Lender meetings
- Lender roundtables
- Help with developing RFPs
- Help evaluating bids
- Help developing contracts
Communication strategies

• 85%, 5% vs. 10%, 90%
• “We’ll take the lead on reporting” vs. “ultimately it will be your responsibility.”
• Here is some performance data vs. “I wish we knew”
The little things matter

- 95% may sell a lot better than 80%
- Depositing money in FI may be important
Goal of RFP and Contracting

- Good Product
- Satisfied Program Sponsor
- Satisfied Lender/FI
- Happy Program Officer
Good ways to scare away lenders

- 100 page RFPs
- Davis Bacon
- Audit
- Buy American
- Reporting
- Quality assurance
Good ways to scare away government attorneys

- Something they have never seen before
- Unclear liability and responsibility
- Unclear authority
Procurement challenges

- Federal, state, local procurement laws
- Timing
- Chain of approvals
Decisions, Decisions

• Making the decisions before the RFP process begins?
• Hiring a program administrator/manager
• Credit enhancement mechanism
• Credit enhancement mechanism design
• Service responsibility
  – Marketing
  – Contractor management
  – Quality assurance
  – Monitoring, Evaluation, and Verification
  – Reporting
• One lender or multi-lender
RFP Challenges

• Too few proposers
• Too many fruits (apples, oranges, grapes, tomatoes..)
Financing for Energy Efficiency and Renewable Energy

This website is intended for American Recovery and Reinvestment Act (ARRA) recipients that want to set up financing programs for their energy efficiency and renewable energy projects. Highlighted are financing tools that fund energy improvements to buildings - homes, offices, schools, and other facilities. Webinars, memos and FAQs, case studies, and other resources will be added frequently, so please check back for new information.

Types of Financing Programs:

- **State and Municipal Revolving Loan Funds** — A state or municipal pool of funds that capitalize a loan fund managed by the state or municipal government; loan repayments recapitalize the fund to allow additional lending on an ongoing basis.
- **Third Party Loans** — A loan program administered by a third party (i.e., not the state or local government; usually a financial institution such as a bank), targeted at energy efficiency or renewable energy improvements.
- **Energy Savings Performance Contracting (ESPC)** — A financing technique that uses cost savings from reduced energy consumption and operational savings to repay the cost of installing energy conservation and renewable energy measures. The original capital used to finance the needed upgrades is typically secured from municipal leases, bonds, revolving loan programs, or could be from other mechanisms listed within this guide.
- **Property-Assessed Clean Energy (PACE)** — Allows clean energy improvements to be repaid via an assessment on the property tax bill; the repayment obligation and
Chapter 15.
Contracts, Agreements, and Other Resources

Three documents—a Request for Proposal (RFP), a Loan Loss Reserve Fund Agreement (LRF Agreement), and an EE Loan Program Agreement—are vital for developing a clean energy financing program with a loan loss reserve fund. As a state or local government, the ARRA grantee typically conducts a competitive procurement procedure to award the LRF funds to a financial institution (FI) partner. An RFP must be prepared to solicit proposals from interested financial institutions. Once the FI is chosen, an LRF Agreement is developed to address the deposit and use of the LRF monies. The final and less formal agreement, the EE Loan Program Agreement between the FI partner and the ARRA grantee and/or other program partners, addresses the full EE/RE loan origination cycle, including cooperation in loan marketing, credit screening and analysis, and other steps involved in loan origination. More detailed information on the process can be found in Chapter 5 of this Finance Guide.

The following chart provides a brief description of the template agreements and sample documents that follow:

<table>
<thead>
<tr>
<th>Agreement or Sample</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>DOE Template Financial Institution RFP</td>
<td>A template competitive procurement procedure to award the LRF funds to a financial institution (FI) partner.</td>
</tr>
<tr>
<td>DOE Template Loan Loss Reserve Agreement</td>
<td>A template agreement demonstrating how to address the deposit and use of the LRF monies.</td>
</tr>
<tr>
<td>DOE Template Program Agreement</td>
<td>A template agreement that addresses the full EE loan origination cycle.</td>
</tr>
<tr>
<td>Sample RFP: City of Independence, Missouri</td>
<td>A sample competitive procurement procedure to award the LRF funds to a financial institution (FI) partner.</td>
</tr>
<tr>
<td>Sample LRF Agreement: Michigan SAVES</td>
<td>A sample LRF agreement between a grantee and an FI setting the terms and conditions of the loan loss reserve fund.</td>
</tr>
<tr>
<td>Sample Guide for Residential Program Design</td>
<td>A sample set of steps to follow in defining and elaborating on the specifics of an energy efficiency program.</td>
</tr>
</tbody>
</table>