

Sample Residential Program Term Sheet — DRAFT

Introduction

_____ is seeking to develop an energy efficiency loan product for _____ [name sector and sub sector] customers. The product would be offered under the sponsorship of _____ [name sponsor]. The sponsor will provide a _____ [Name primary sponsor financial contribution here such as “credit enhancement in the form of an assignable loss reserve account, while a partnering financial institution will originate and service loans.”]

Program Overview	Detail
	Show finance program goal. For instance: “To offer a loan product to residential customers that will enhance customers’ ability to pay for energy efficiency measures while eliminating up-front costs to the customer.”
Program Sponsor	Product will be marketed under the sponsorship and name of _____.
Program Administrator	Define who will market program, originate loans, etc.
Eligible Borrowers and Properties	Define eligible borrowers. For instance: “Owners of owner-occupied, single-family homes (1-4 units).”
Grantee Role	Define major role of the grantee. For instance: “_____ will market program in collaboration with the program administrator, provide credit support, and train contractors.”
Partner Lender Role	Define major elements of partner lender role. For instance: “A partner lender will be selected to originate and service loans and to provide loan capital. The lender partner will serve as the implementation partner for financial aspects of the loan program, under the terms of a loan loss reserve agreement and subject to standards set by the grantee.”
Loan Facility Size	Total loan facility size in the first year is estimated to be _____ [show total amount of loans expected to be made on both an annual and total basis].
Maximum and Typical Loan Size	Show projected max/min loan sizes. For instance: “Maximum loan size will be \$15,000 with unsecured loans, with average loan size expected to be approximately _____.”
Program Launch Date	Show when program is expected to launch.

Loan Product	Proposed Structure / Minimum Standards
Loan Amounts	Show dollar value of loans expected, in terms of minimum, maximum, and typical.
Loan Terms	Show expected length of loan term. Typically subject to negotiation.
Loan Rates	Show expected interest rates or show a range of rates. Typically subject to negotiation.
Definition of Default	Show definition of default, e.g., 90 days/120 days. May be subject to negotiation.
Secured / Unsecured	Show whether loans will be unsecured or unsecured. If secured, show how loans will be secured.

Loan Product	Proposed Structure / Minimum Standards
Eligible Measures	Energy efficiency measures include _____. For instance: "Measures as defined through an energy audit" or "specific measures such as duct sealing, air sealing, attic insulation, high efficiency replacement heating and cooling equipment. For electric utilities also include shade screens."
Eligible Borrowers	Define eligible borrowers. For instance: "Residential homeowners" or "Small commercial entities as defined by ____."

Underwriting Standards	
Underwriting Procedure	Define desired characteristic of underwriting. For instance: "Underwriting to take place quickly, with a goal of conditional approval within 1 to 2 hours of application."
Minimum FICO	Define a minimum FICO credit score that the sponsor would like to see. For instance: "640 FICO or better."
Foreclosure / Repossession	Define foreclosure/repossession as related to borrower qualification.
Unpaid Collection Accounts, Judgments, Tax Liens	Define. For instance: "No unpaid collection accounts, judgments, or liens outstanding allowed."
Income Verification Required	Define whether income needs be verified and under what circumstances.
Debt-to-Income Ratio	Define acceptable debt-to-income ratios. For instance: "50% debt-to-income ratio or better."

Sources of Capital and Credit Enhancements	Details
Credit Enhancement Structure	If program is based on a credit enhancement, define that credit enhancement. For instance: "A loan loss reserve in the amount of ____% of the value of either the outstanding loans or the loan commitment will be provided to a participating lender, and available to that lender subject to the terms established in a Loan Loss Reserve (LRF) Agreement. This LRF Agreement shall specify underwriting standards, definitions of default, collection methods, and other related requirements. The lender will be authorized to withdraw ____% of the value of an individual defaulted loan after payment is ____ days late."
Loss Reserve Segregation	If program is based on a loss reserve, define the tracking mechanism and who holds that loss reserve. For instance: "Loss reserve to be held in an interest-bearing account at the participating financial institution."

Loan Product Marketing and Contractor Network	Details
Marketing	Define who will market the product. For instance: "Loan product to be marketed through a network of contractors who will be trained on loan product features."
Contractor Network	Contractor network to be trained and monitored by _____.
Marketing Materials	Define who will be responsible for marketing the program. For instance: "Sponsor to develop and assist in development of marketing materials to be provided by contractors."