

## **FINAL STAKEHOLDER WRITTEN COMMENTS**

### **FINANCIAL REQUIREMENTS**

#### 1. Credit Quality

Lender:

- This presentation does not address the question of whether a lender will be required to approve a loan if the FICO score is over a certain threshold. Can a lender deny a loan request for underwriting issues like debt ratios, job stability, etc?

Lender:

- What credit score modeling would we use ? FNMA Real estate procedure states to use the median FICO and in cases of multiple borrowers use the lowest of the Median FICOs.
- It would appear as though the lenders are now free to make their own credit decisions; can you substantiate that assumption?

#### 2. Credit Enhancement

Solar Developer:

- Credit support should be provided not just to loans but also to retail installment sales agreements. There are some key differences in the implementation and requirements for both kinds of contracts and there are many circumstances where a retail installment sales agreement is the most suitable arrangement.

Lender:

- We have very few details on how the Loan Loss Reserve works.
- When (or under what circumstances) is a loss triggered that fulfills the requirements for a claim?
- What is the process for filing a claim and receiving the funds?
- What documentation will be required?
- How is the claim amount determined?
- Are lenders required to participate in loans with FICOs below 680?
- For purposes of determining the FICO score that determines the LLR coverage, how are FICO scores determined?
  - Does a lender need to pull all three bureau reports? Does the lender use the middle score?
  - Does a lender use the lowest score between two borrowers?
- How is the IRB dollar amount calculated? Of the three examples provided, two calculate out to a net yield to the lender of 5.12%, not 6%.

### 3. Re-amortization

Solar Developer:

- We would suggest early payments subject to a recasting fee similar to that available for certain kinds of residential mortgages which allow homeowners to re-amortize loans without refinancing for a nominal fee. There are transaction costs involved in re-amortizing these loans/installment sales agreements, and having a no cost option to do so could lead to yearly re-amortizations, something that would have a material negative impact on portfolio performance and management.

### 4. Term/Monthly Payments

Lender:

- It is indicated that the borrower must meet underwriting criteria of lender. However, the program REQUIRES that a loan term of 10 years must be offered AND the term choice is at borrower's discretion. Both of these items are outside HFCU's underwriting criteria. We currently do not offer unsecured 10 year term loans and we do not allow the borrower to dictate the terms of the loan. A \$5,000 unsecured loan for a 10 year term does not make financial sense for either the borrower or financial institution. In cases of smaller loan amounts, the loan terms would be constructed based on the borrower's income & assets in order to put the borrower in a better financial position (and debt free) sooner rather than later.

### 5. UCC-1 Filing

Solar Developer:

- The DOER should reconcile the requirement for unsecured loans with the availability of a UCC-1 filing as an option for lenders/. A UCC-1 financing statement is a legal form that a creditor files to give notice that it has or may have an interest in the personal property of a debtor and is in effect a form of security for the lender/installment sales company.

### 6. Moderate and low income borrowers

Lender:

- Who collects documentation and determines eligibility for "Moderate Income Loan Support"?

Lender:

- How is the moderate income support administered is it paid to the financial institution as a principal reduction on the existing loan?
- If so would the applicant wait to re-amortize the loan until after they had received the federal credit?

#### 7. Exclusion of Commonwealth Solar II

Installer:

- Financing be offered to CSII rebate recipients without the IRB. In this case, a homeowner could receive the CSII rebate and financing through the pending Loan Program at the full 6% interest rate without the IRB benefit. Some might opt to rescind the CSII rebate and take the loan with the IRB, but we would like to see this full interest rate option offered to the homeowner.

Lender:

- What is the thought/purpose behind the elimination from eligibility for MassCEC rebate program for borrowers under this loan program? I don't recall this having been previously discussed.

#### 8. Transferability

Lender:

- Transferability (at discretion of Lender that new homeowner meets credit requirements) – we would require loan to be paid off once homeowner sold property and no longer had an interest in the property.

#### 9. Multiple Homeowners

Lender:

- If there are multiple home owners listed on the deed can an underwriting requirement be that we require all owners of the home be applicants of the loan?

### TECHNICAL REQUIREMENTS

#### 10. Warranty

Lender:

- Installer warranty – at least 5 year labor warranty
  - Manufacturer warranty – at least 20 year production warranty on panels, and 10 year warranty on inverter

- Roof condition – installer attest that roof is in satisfactory shape and meets standards for solar installations
- As you can see, the installation is guaranteed for only 5 years and the installer attests to the condition of the roof. Which means to me that the installer will most likely attest that the roof is good for 5 years. After that, all bets are off. If the roof needs to be replaced after 5 years what is the cost to unhook and remove the solar panels in order to reshingle the roof? All sorts of things can happen at this point. Given this, HFCU would be more comfortable with a max 5 year term.

## PROGRAM STRUCTURE

### 11. Heat Loan Incorporation

Installer:

- Since the HEAT loan has been so successful in the past and it seems as though the same banks will participate, why not just add this newer PV technology to the HEAT program? Surely the barriers to doing this would have been easier to overcome than a complete new loan design, and could have been done years ago, say when MassCEC was created out of MTC. Doesn't it make sense to put all solar programs under one department?

### 12. Consumer Friendly

MA Municipality:

- Is there a reason the loan cannot be extended to larger multi-family properties?
- Will any effort be made to make sure that underwriting criteria do not unfairly limit multi-family properties, such as strict rental rates? For instance, some HEAT loan lenders have been known to require 100% of all units to be rented before making a loan.

### 13. CSS

Solar Developer:

- Transferability should also be managed for replacement buyers in Community Solar projects where a customer might borrow to pre-pay a subscription program.

Lender:

- Do lenders have the option to not participate in the Community-Shared Solar option?

### 14. MLP Eligibility

- \*\*multiple folks asked if MLP's are eligible – perhaps good to clarify in our program design documents?