



Lending to people, Investing for resilience

Peer to Peer Conference Call: Energy Efficiency Financing

Lessons Learned from Craft3

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Objective of the Call



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- Update on the Craft3 Energy Efficiency Financing Program
- Learn from Craft3 what capacity is needed
- Have the opportunity to ask questions directly to Craft3 on Energy Efficiency Financing



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Craft3



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- Non-profit 501(c)3 founded in 1995
- Community Development Financial Institution (CDFI)
- Mission to strengthen **economic, ecological** and **family resilience** in Pacific Northwest communities
- Washington and Oregon
- Current offices in
 - Ilwaco, Port Angeles and Seattle, Washington
 - Astoria, Bend and Portland, Oregon

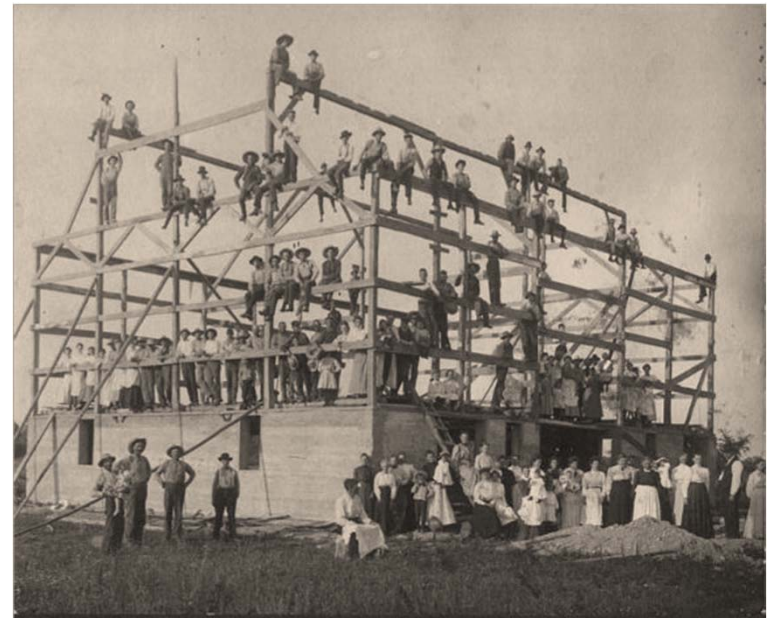


Our Work



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- Provide loans and assistance to those who lack access to financing
- Complement financial resources with expertise, networks and advocacy for our clients
- \$166 million in total assets, \$243 million in loans made



Craft3 Loan Products



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- Commercial Loans
 - Business: for real estate, start-up and expansion of businesses;
 - Non-Profit: for affordable housing, community development projects, health care, childcare, environmental conservation, and human services initiatives; and
 - Conservation: for conservation organizations to acquire sensitive lands, restore habitat, and protect water quality are available.
- Consumer Loans
 - Energy Efficiency: To property owners to reduce CO2
 - Clean Water: To property owners to repair or replace failing systems

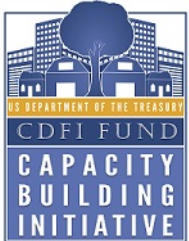


Craft3 Outcomes from Outputs



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ECONOMY	ENVIRONMENT	EQUITY
Number of Jobs Created and/or Retained	Linear Feet of Functioning Riparian Zone	People of Color and Women Entrepreneurs Assisted
Leveraged Third Party Investment	Acres of Land in Sustainable Management	Number of Low Income Families Assisted
Added Value of Products Locally Manufactured	Gallons of Water Diverted from Waste Stream	Local Tenures Supported



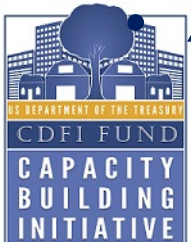
Single Family Residential Loan Product



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- CO2 Matters: Energy reduction analysis
 - Recruit the greatest CO2 impact
- Low Touch Underwriting
 - *Non-Traditional*: Utility payment history, FICO >590
 - *On-bill Repayment*: 4 participating utilities
 - *IT Platform*: Linked to utilities and loan management
- Product Specifications
 - *Rate*: 5.99%
 - *Term*: up to 15 years (current portfolio predominantly 20 years)
 - *Security*: Current: UCC, Past: subordinated lien on property
 - *Servicing*: on bill of utility providing energy for heat
 - *Risk*: Cash funded loan loss reserve: 10%

Affordable: Goal is net zero impact on the family budget



Building the Market



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Goal: *Shift the residential energy efficiency market to an environment where action to improve the efficiency of homes is as easy as buying a car with better gas mileage.*

- Standardized product offering with options
- Standardized & auditable performance rating
- Widely branded “outlets” for sales
- Affordable, easy to access financing terms
- Warranty and peace of mind (value proposition)

Ultimately, the product must remove obstacles to policy decisions that drive markets to “value” efficiency



Delivery Partners



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- Craft3 specializes in origination and servicing of loans, relies on partners to manage energy efficiency
- In both Oregon and Washington, collaborative approaches use local, state and federal resources to drive demand, aggregate incentives and provide quality assurance
- Oregon: Clean Energy Works Oregon, Washington: Community Power Works
- Both programs qualify pools of contractors and require compliance with workforce benefits agreements



Outputs



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Craft3 Energy Efficiency Loan Portfolio Summary (as of 4/30/2013)

Oregon

Washington

Total

	Oregon	Washington	Total
Number of Active Loans	1714	162	1,876
Value of Loans Outstanding	\$ 21,519,130	2,034,961	\$ 23,554,091
Average Interest Rate	5.78%	4.25%	5.65%
Median Loan Individual Outstanding Loan Amount	\$ 11,790	\$ 11,370	\$ 11,697
Median Loan Payment Amount	\$ 86.77	\$ 75.35	\$ 86.05
Median Number of Payments Made by Active Borrowers	14	2	12
Average Number of Payments Made by Active Borrowers	15	2	14
Percentage of Loans Past Due (+60)	0.33%	0.12%	NA
Cumulative Write-offs to Date	\$ 56,977	0%	NA
Current Problem Assets (Not Charged-off)	\$ 50,902	0%	NA
Total Criticized Assets	\$ 180,698	0%	NA

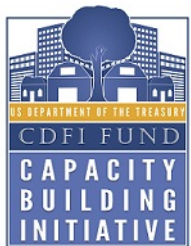


Outcomes



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Access to Credit (Inclusion)	Access to Opportunity (Jobs)
% Borrowers < Median HH Income 53%	% of Loan \$ Paid as Wages 65%
% Borrowers Non-White 11.3%	Average Wage \$24.65
% Borrowers below 200% Fed. Poverty Level 9%	% of Employees Women/Minority 51%
% Subordinated Debt 98%	% of Employees with Health Care 65%



Application



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- Customer is directed to Craft3 online application
- Data entered, sent to Craft3 database for cleaning and loading into underwriting system
- Data appears in underwriting system, credit reports and utility payment histories are electronically ordered.



Origination



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- Licensed mortgage originators review underwriting materials and produce a decision
- Applications are rated on a 0-4+ scale Declines are forwarded to manager for review
- Most loans are “unsecured” but historic portfolio is second mortgages
- Contractors are informed of loan approvals immediately



Funding



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- Project approval documentation is received from customer via CEWO or CPW
- Disbursement is made directly to contractor via ACH
- In some cases a portion of the final payment is used to pay-off a contractor advance on the project.
- Payment information is forwarded to utility partner

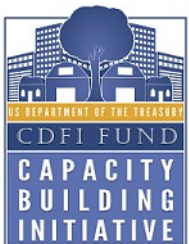


Servicing



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- Loan payments are placed on the borrower's utility bill
- Craft3 receives daily/3x week payment information from each of the four utilities
- Each utility provides a monthly reconciliation of payments due to Craft3 and an electronic payment
- Non-performing loans are removed from the utility system after 90 days and dealt with directly by Craft3

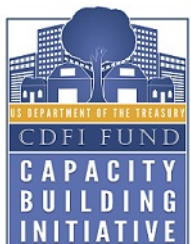


The Quest For Liquidity



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- **Mandate:** Develop a high output product with quality outcomes and demonstrate a capital market
- **Now:** \$20MM pilot, Q2 2013: Replicable, marketable
 - Depository buyer (CU), purchase at par for true loan term (no-buy back), 30% insurance pool, assignment option on utility servicing rights
- **Challenges:** price point; portfolio performance; underwrite; maturities; market place
- **Bottom Line:** Liquidity must value the outcomes and the pace of achieving them





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Questions



Contact Information



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