

Craft3 & Self-Help Single-Family Residential Energy Efficiency Loan Sale

June 2015



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CREATING OWNERSHIP AND ECONOMIC OPPORTUNITY

Craft3

- A Community Development Financial Institution (CDFI)
- A nonprofit and charitable corporation
 - Not a bank or credit union and does not take or insure deposits
- 20 years old
- A regional institution serving a diverse, two-state investment area
 - 50 people with *their feet on the ground* in rural and urban communities
- Focused on three bottom lines

Economy

Ecological

Family



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Self-Help

- National CDFI, which particular focus in NC, CA, DC, Chicago
- A nonprofit and charitable corporation
 - State and Federally chartered credit unions
 - Nonprofit ventures fund
 - Nonprofit advocacy arm (Center for Responsible Lending)
- 30+ years old
- Focus on creating economic opportunity through access
- ~\$6.4B in loans since founding; last 5 years:
 - ~\$138M to facilities utilizing energy efficient measures
 - \$76M to renewable energy producers



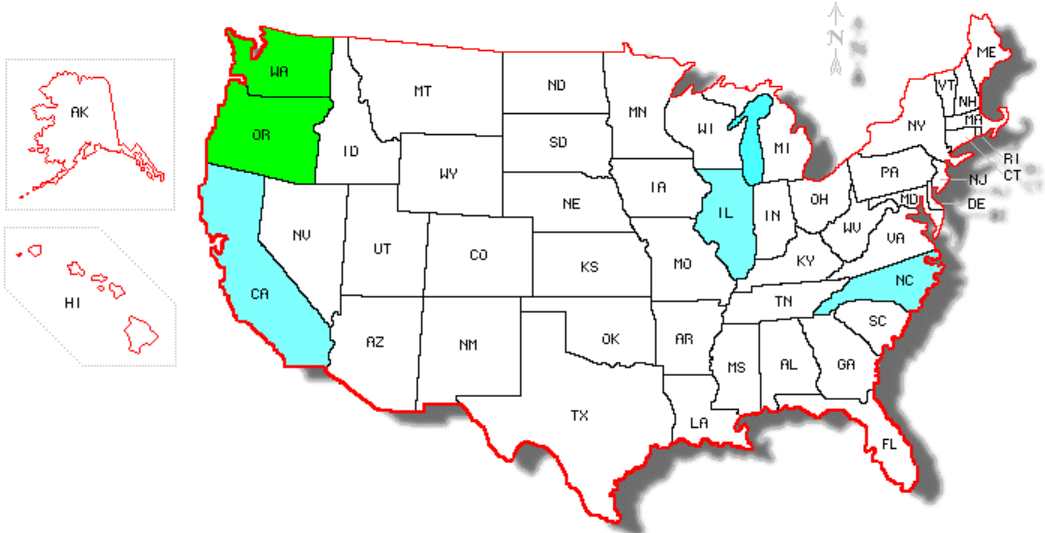
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Feet On The Ground

- - Craft3
- - Self-Help



Source: diymaps.net (c)

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Market Development Strategies

- **Deliver inclusive credit** - Preserve and expand on-bill repayment, and the inclusive credit it delivers – new IOU and COU partners
- **Simplify loan options for customers** – Create streamlined on-bill products for a single market with standardization and liquidity
- **Enhance return and lower risk for lenders/investors** – Build an operational, replicable secondary market for loans
- **Expand access** – provide access to lending platform in other regions of Oregon and Washington
- **Enable policies that drive demand** – state and local efforts to build demand for energy efficiency upgrades



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Self-Help Motivations

- Building on former secondary markets experiences
- Supporting innovative “green” lending products
- Proving efficacy and viability of OBR model
- Learning behavior and characteristics of EE
- Encouraging development of a green workforce
- Capital deployment



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Single Family Residential Loan Product

- 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



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Portfolio Sale Summary

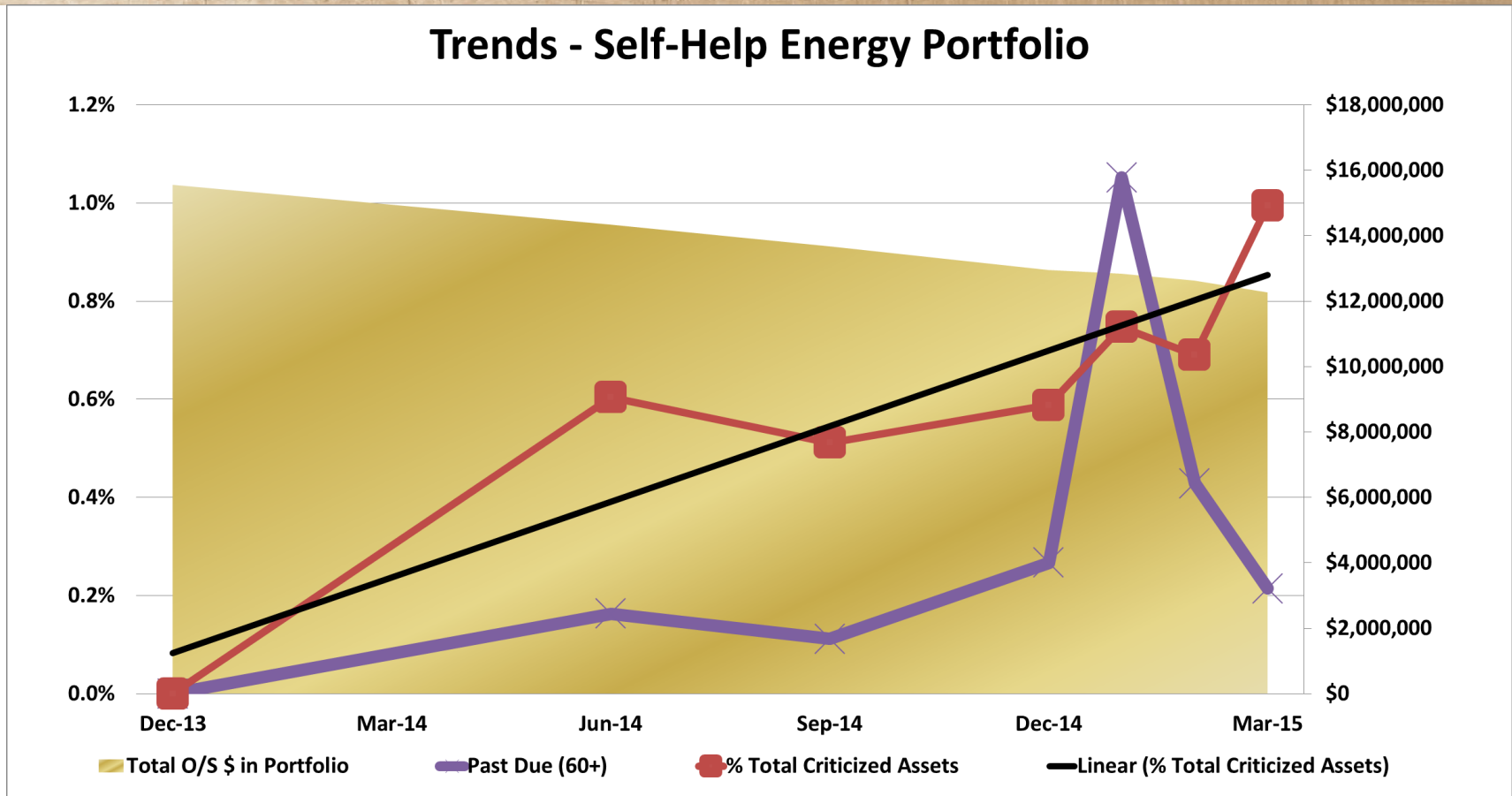
Oregon Portfolio Characteristics	Portfolio Sale
<ul style="list-style-type: none"> • \$21.2 Million, 1680 loans • \$11,800 average loan size • 5.8% blended yield • 15-20 year terms 	<ul style="list-style-type: none"> • \$15.7 Million, 1,251 loans • Loans purchased at par value • Self-Help Credit Union (also a CDFI)
<ul style="list-style-type: none"> • 96% On-bill Repayment through 3 utilities • Oregon State Law requiring on-bill treatment • No shut-off provision or transferability 	<ul style="list-style-type: none"> • Only loans with OBR sold • Contracts detailing OBR with participating utilities • Craft3 retains OBR-based servicing
<ul style="list-style-type: none"> • Review and scoring of utility payment history • 590 Credit Score minimum • UCC filing, subordinate mortgage lien 	<ul style="list-style-type: none"> • Minimum 620 credit score • Maximum 60 days delinquent • Either security filing acceptable
<ul style="list-style-type: none"> • \$2.3 Million in ARRA capital and LLR grants in the fund or available through Clean Energy Works • Additional local government LLR investment • Limited history (2009) with low delinquency and default rates 	<ul style="list-style-type: none"> • LLR established for buyer, accessible at 150 days • Buyer absorbs risk after available LLR is depleted • Catastrophic losses shared by seller (general recourse to balance sheet)



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Sold Portfolio Performance

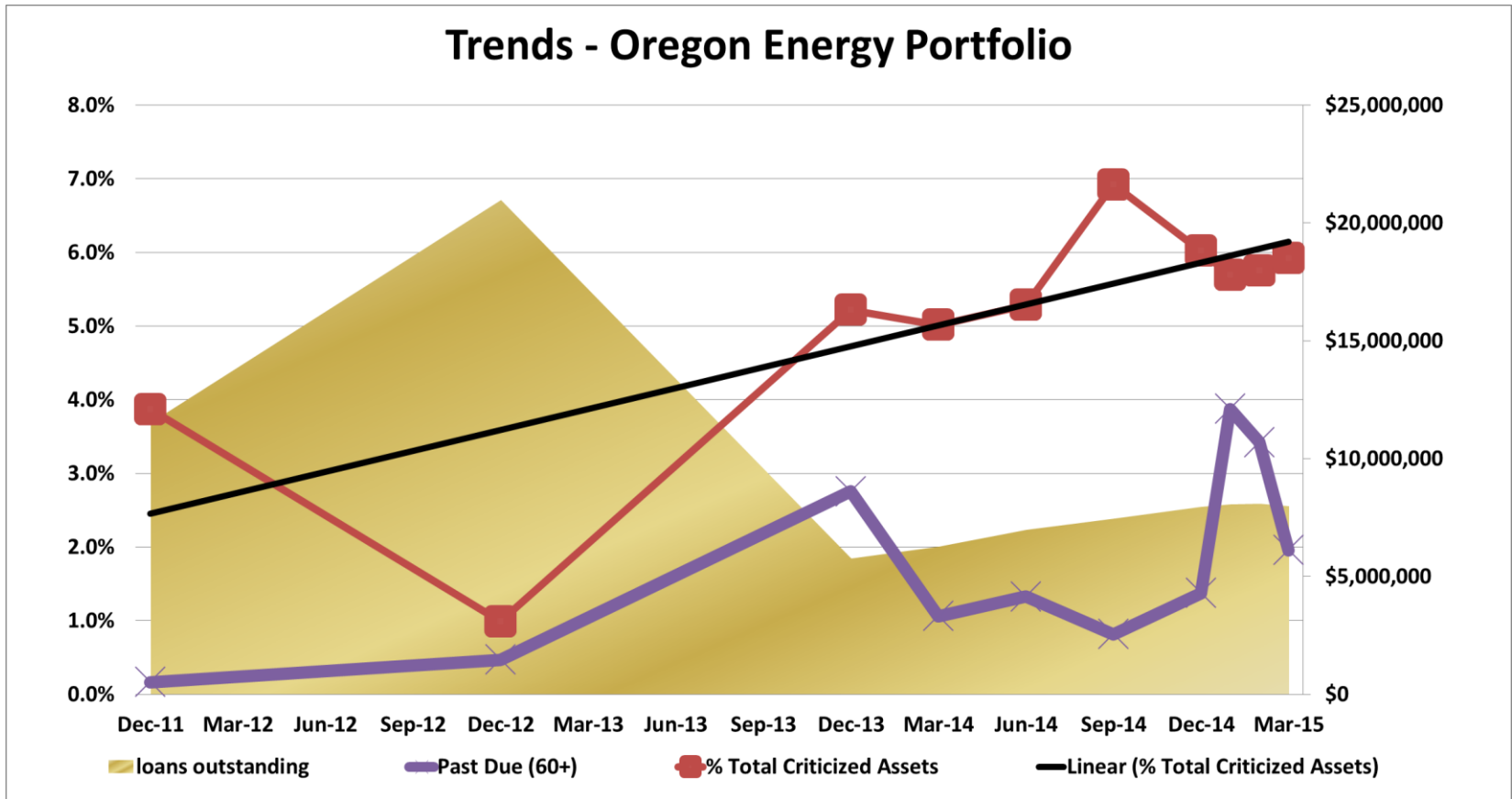


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Overall Performance



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SH & Craft3 Lessons Learned

- Partnership, collaboration, and patience = key
- Post-transaction relationship just as critical
- Data and processing needs b/w regulated investor vs. unregulated seller are different
- Unsecured loans without long-term performance data require credit enhancement
- We're open to doing more



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