

Focus on California: Experimentation and Progress in the Golden State

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- *Who is Union Bank*
- *Why Union Bank got involved*
- *What we are developing*
- *How we would like to see the market develop*

About US

- MUFG Union Bank, N.A., is a full-service bank with offices across the United States.
- We provide a wide spectrum of corporate, commercial, retail banking and wealth management solutions to meet the needs of customers.
- The bank also offers an extensive portfolio of value-added solutions for customers, including investment banking, personal trust, capital markets, global treasury management, transaction banking and other services.
- MUFG Union Bank is a proud member of the Mitsubishi UFJ Financial Group (NYSE: MTU), one of the world's largest financial organizations with total assets of approximately ¥279 trillion or \$2.3 trillion (USD)¹, as of December 31, 2014. MUFG Americas Holdings Corporation, the financial holding company and MUFG Union Bank, N.A., have corporate headquarters in New York City.

As a prominent member of the business community, MUFG works hard to be a responsible corporate citizen. Our environmental goal is to protect and preserve the environment within the scope of our business reach. There are limits to the impact that a regional bank can make but MUFG is committed to being part of the solution to our society's continuing effort to create a healthier climate.

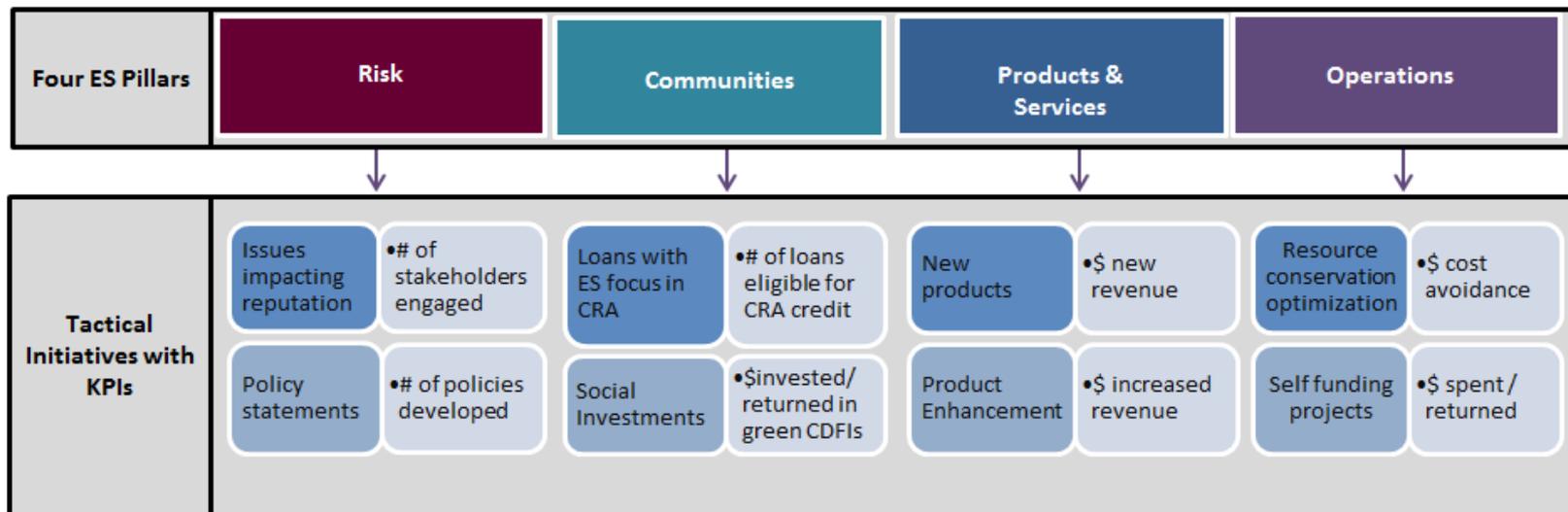
We are leading MUFG's efforts towards:

- *Energy conservation*
- *Paper consumption reduction*
- *Waste minimization*
- *Water conservation*
- *Environmental Philanthropy through Foundation Giving*

Environmental Stewardship (ES)

The ES strategic plan consists of a set of fourteen data-driven initiatives across four ES pillars, aligned with the company's strategic imperatives and Midterm Plan with actionable and measurable KPIs that are:

- Sustainable over multiple years
- Reportable with transparency to ensure credibility
- Able to be cascaded down and across the organization



- Approve the strategic plan, including the proposed 14% greenhouse gas reduction and 25% paper reduction programs
- Directional acknowledgement to come back to ECA with business cases for individual initiative execution spend beginning in 2015
- Allow the Environmental Stewardship Department to provide periodic impact reports and budget estimates over the plan term
- Support an ES governance council/committee to review plan progress and authorize new activities

Energy Finance Line Item Charge (EFLIC) loan Product

- We were looking for ways that we could help the communities we work in to reduce their environmental impact and create Green jobs
- Lori Bamberger (Saving Neighborhoods Energy) set up a call with the bank's CSR / ESD and consumer lending teams
- Discussed issues for low to moderate income homeowners that didn't have savings or access to cheaper collateral and therefore couldn't carry out energy efficiency upgrades to their homes
- A large percentage of the OBR market is likely to be reactive i.e. something has broken and needs replacing
- We have been involved since the start of the OBR development process, as we believe this program is beneficial for California's communities and the environment

- I know first hand how hard it is to get homeowners to take on energy efficiency upgrades
- For our pilot it is critical that we get good community outreach and fortunately we have great local partners in Demetra McBride, Santa Clara and Jose Gonzalez, Fresno City and of course PG&E and SNE
- Union Bank sees the value to the environment, community and the bank gave the go ahead to start to develop this product
- We had long conversations with NYSERDA, Craft3 and SMUD while trying to develop what our loan product would look like
- Wanted to create a loan product with underwriting criteria that reduced risk to the bank but also allowed us to lend to our target underserved homeowners

- Target community is underserved homeowners with an income of less than 120% of AMI
- We are using NYSRDA's tier 1 and tier 2 underwriting criteria
- Since the NYSERDA's default rate is low, around 1% and there is a LLR of between 10 – 20% we were able to lower our interest rate to 6.99%
- Within most areas of California electricity bills aren't that high, so a 20% reduction in usage may not be a large saving in cost
- So we agreed to have repayment terms of up to 20 years
- Eligible items include;
 - Whole House Retrofit (including windows), HVAC replacement, Lighting, High Efficiency Boilers, High Efficiency Pool Pumps, High Efficiency Appliances, 30% non-efficiency Measures (No Solar)

- Pilot areas are: Fresno County; Santa Clara County with and Yollo County
- The contractor will be able to make an application online at the homeowner's kitchen table and get preapproval straight away
- If a permit is required for the installation one must be pulled to be eligible for this loan
- Proof of income etc. can be uploaded online and the loan docs will be downloadable
- Payment will be made to the contractor directly once the homeowner signs and uploads a certificate of completion

- We are working closely with Peter Thompson and Lori Bamberger at PG&E to help develop the community outreach
- We are making a \$15 million available for the three pilot areas
- That assumes 500 loans in each area and an average loan size of \$10,000
- The ROE to the bank is midway between a commercial loan and a CRA loan
- Launch date – September 2015

Challenges

- We have been working on this for a number of years
- Since we started this process PACE has come online
- Contractors are likely to be one of the keys to communicating this product to the homeowners
- Collecting the loan through the utility company may add a complication

Going Forward?

- In order to benefit the community and the environment we need to see a number of large bank's offering a loan product
- Contractors have to be on a preapproved list, we hope that there are enough contractors in all of the areas to provide carry out the work
- Maybe over time the loan can stay with the meter not just the homeowner
- The program can be expanded to include renters
- Union bank is also keen to be involved in the OBR program for small businesses

Contact

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