Alaska Housing FINANCE CORPORATION

Alaska Energy Efficiency Revolving Loan Fund Program Guide - AEERLP

2014

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Alaska Housing Finance Corporation

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ALASKA ENERGY EFFICIENCY REVOLVING LOAN FUND PROGRAM

.01 INTRODUCTION

The Alaska Energy Efficiency Revolving Loan Fund Program (AEERLP) provides financing for permanent energy-efficient improvements to buildings owned by regional educational attendance areas, by the University of Alaska, by the state or by municipalities in the state. Borrowers obtain an Investment Grade Audit as the basis for making cost-effective energy improvements, selecting from the list of energy efficiency measures identified with the initial rating. All of the improvements must be completed within 365 days of loan closing.

.02 ELIGIBLE BORROWERS

A. regional education attendance areas

B. the University of Alaska

C. the State of Alaska, and

D. municipalities in the state

.03 ELIGIBLE SIGNERS

A. The superintendent of a regional educational attendance area for building owned by the regional educational attendance area;

B. The president of the University of Alaska for buildings owned by the University of Alaska;

C. An authorized state officer for buildings owned by the state; or

D. Signer authorized by municipal resolution for buildings owned by Municipalities in the state.

.04 ELIGIBLE PROPERTIES

Buildings owned by regional educational attendance areas, by the University of Alaska, by the state or by municipalities in the state (evidence of ownership will be required with the initial loan application).

.05 LOAN TERMS

A. Maximum Loan Amount

1. no maximum loan amount

B. Term

1. 15-year term, or as determined by AHFC

2. up to a 12-month maximum draw period followed by a 14-year term, or as determined by AHFC

C. Interest Rate

Program rate as published based on the date the Loan Application and the approved Investment Grade Audit are submitted to AHFC

D. Debt Service Coverage Ratio

All loan amounts must be supported by a debt service coverage ratio of 1.20 or greater. The DSCR is calculated by dividing the anticipated energy savings by the loan payment amount.

.06 CRITERIA

A. Use of Proceeds

1. Funds may be used for materials, freight (if necessary) and third-party labor costs, as well as the Investment Grade Audit. Only those energy efficiency measures identified in the Investment Grade Audit are eligible to be included in the loan amount. (The borrower may not be paid for his or her own labor.) Loan funds may not be used for capital improvements that are not identified as an energy efficiency measure unless they are specifically required by local code in order to install the energy efficiency measure.

2. The scope of work will include energy efficiency measures identified in the Investment Grade Audit as selected by the borrower. If the borrower chooses to implement energy efficiency measures that were not identified in the Investment Grade Audit, an updated and approved Investment Grade Audit may be required.

B. Loan-to-Value (CLTV)

A minimum or maximum loan-to-value is not required; however, in the case where real property is being offered as collateral, in no instance may the loan to value exceed 100% of the real property being appraised.

C. Security

1. security position in a three-year Performance Contract Guaranty, if applicable

2. other collateral as deemed appropriate by the Corporation, which may include a deed of trust secured in first lien position on the building that is the subject of the energy efficiency loan and the real estate on which the building is located.

D. Amortization, Payments and Deposit Requirements

Interest only for 12 months (or a shorter time in accordance with the expected completion time of the energy efficiency measures), then fully amortized for the remaining term through equal payments.

Payments are for principal and interest only, exclusive of insurance or tax reserves, but may include applicable late fees. Negative amortization is not allowed.

E. Commitment Terms

The initial commitment term is 90 days

F. Construction and Energy Standards

If the property is residential in nature, including multi-family properties, the following applies:

1. If the original construction began on or after January 1, 1992, the property must comply with Building Energy Efficiency Standard (BEES) as evidenced by a PUR-101.

2. If the original construction began on or after July 1, 1992, the property must comply with Minimum Construction Standards as evidenced by a PUR-102, or have a certificate of occupancy issued by the regional building official.

Refer to Section 2001.07 of the Selling Guide for Minimum Construction Standards and BEES.

.07 UNDERWRITING

AHFC will underwrite loans submitted under the Alaska Energy Revolving Loan Fund Program.

.08 PROGRAM DOCUMENTATION

A. application Documentation

1. loan application signed and dated (AHFC Form AEERLP-1)

2. Corporate Borrowing Resolution authorizing the borrowing and authorized signers to enter into the loan transaction

3. evidence of title vesting of the property (e.g., copy of warranty deed or preliminary title report)

4. copy of an approved Investment Grade Audit and list of selected energy efficiency measures (scope of work)

5. copy of performance contract, if available, and

6. other documentation as reasonably requested by AHFC

.09 RESPONSE BY AHFC

A. Application Review

Upon receipt of an application for a loan under this program, AHFC will review the information and either issue a term loan commitment letter, decline the loan or pend for additional information.

1. Loans in excess of $1,500,000 require Board of Director's approval.

2. All responses will be in writing to the applicant, whether the loan is approved, declined or put in a pending status.

3. A commitment fee of one half of the loan fee will be required within 30 days from the date of the commitment. The commitment fee will be credited toward the loan fee at the time of loan closing.

.10 LOAN CLOSING

A. AHFC will require the following documents to be executed for loan closing:

1. promissory note

2. loan agreement

3. deed of trust

4. assignment of Performance Contract Payment Guaranty

5. approved scope of work, including anticipated draw schedule

6. legal opinion from borrower's council regarding the transaction

7. any other documentation as requested by AHFC

.11 LOAN FEE SCHEDULE

A. AHFC will charge the following loan fees at the time of loan closing by the borrower, based on the total amount borrowed:

1. the first $1,000,000 .50%

2. the next $4,000,000 .375%

3. the next $10,000,000 .25%

4. the next $15,000,000 .125%

B. AHFC may permit an extension of the firm commitment for up to 180 days for good cause upon the receipt of one-half of one percent of the loan amount.

C. The borrower will also be responsible for closing costs associated with the loan, including but not limited to, legal fees for documentation preparation.

.12 LOAN FUNDING AND REPAYMENT

A. A request for loan fund draws may be submitted to AHFC with evidence of the expenses incurred for the energy efficiency measures as defined in the scope of work.

1. Interest will begin to accrue upon AHFC's disbursement of loan proceeds.

2. Interest payments will be due to AHFC as outlined in the promissory note.

3. At the end of the disbursement period, or no longer than 12 months from the date of loan closing, loan payments will be amortized over the remaining term based on the terms of the promissory note and loan agreement.