

U.S. Virgin Islands Energy Office (VIEO) Energy Efficiency Loan Interest Rate Buydown Program Term Sheet

DRAFT – Preliminary, subject to change

Program Sponsor	Virgin Islands Energy Office
Funding/ authorization	Program Sponsor has received an allocation of \$576,170 under U.S. Department of Energy(DOE)'s Energy Efficiency Revolving Loan Fund Capitalization Grant Program, authorized under Section 40502 of the Infrastructure Investment and Jobs Act, commonly referred to as the Bipartisan Infrastructure Law. Program Sponsor will use up to \$73,000.00 to pay/reimburse for the cost of energy audits for Eligible Energy Audit Subsidy Recipients and will use approximately \$445,554.00 of its grant to provide interest rate reduction payments for loans issued by a Program Lender to finance Eligible Projects. The program shall be available on a first-come, first-served basis until Program Sponsor's funding is exhausted.
Program Lender	Program Sponsor will review and approve applicants to participate in the program as a Program Lender. Eligible applicants will include [any federal- and state- chartered bank or credit union, and any community development financial institutions (CDFI) certified by the U.S. Department of the Treasury CDFI Fund]. Program Sponsor reserves the right to approve other types of institutions as a Program Lender as it deems appropriate. Applicants will be required to submit an application form [to be developed] to participate in the program, and will submit a project application form [to be developed] for approval for each Eligible Project loan.
Eligible Projects	<ul style="list-style-type: none"> • Each Upgrade or retrofit must be recommended in a qualifying Energy Audit completed for a single-family home located in the Virgin Islands. • The project's cost must be life-cycle cost-effective, which shall be demonstrated on the energy audit report showing that the estimated lifetime energy savings from the project upgrades/retrofits will be at least equal to the total project cost. Program Sponsor shall reserve the right to approve an alternative method of demonstrating cost-effectiveness if deemed acceptable. • Each upgrade/retrofit must address at least one of the following: <ul style="list-style-type: none"> • The physical comfort of the building or facility occupants. • The energy efficiency of the building or facility. • The quality of the air in the building or facility. <ul style="list-style-type: none"> ○ NOTE: Based on the criteria above, geothermal heating systems are eligible, but solar/PV systems would need to be paired with energy storage or designed to provide operation during utility electricity grid outage to be eligible. • The project must lead to at least one of the following outcomes: <ul style="list-style-type: none"> • Reduce the energy intensity of the building or facility of the Eligible Recipient. • Improve the control and management of energy usage of the building or facility to reduce demand during peak times. • Loans may include any portion of the cost of Energy Audit paid for by Eligible Borrower and not subsidized by Program Sponsor. • Program Sponsor will determine whether Each Eligible project meets federal grant requirements and communicate its approval to Program Lender

Energy Audit Requirements	<p>Each Eligible Project must have an energy audit completed for the project, which shall:</p> <ol style="list-style-type: none"> 1. Use the same evaluation criteria as the Home Performance Assessment used in the Energy Star program. 2. Identify and recommend lifecycle cost-effective opportunities to reduce the energy consumption of the facility of the eligible recipient. 3. Recommend controls and management systems to reduce or redistribute peak energy consumption. 4. Compare the energy consumption of the residential building of the eligible recipient to comparable residential buildings in the same geographic area. 5. Provide a Home Energy Score, or equivalent score (as determined by the Secretary), for the residential building of the eligible recipient by using DOE's Home Energy Score Tool or an equivalent scoring tool. <p>The Home Energy Score (HES) tool fully satisfies requirements #4 and #5 but does not fully satisfy requirements #1-#3. To meet these requirements, energy auditors will supplement the Home Energy Score report with:</p> <ol style="list-style-type: none"> 1. A statement certifying that the audit is informed by 1) resolving health and safety issues; 2) satisfying customer needs and desires; 3) overall cost-benefit to the customer; and 4) programmatic goals. 2. Calculations of the life-cycle cost effectiveness of the measures recommended in the HES report (See Question 12, Section C). 3. Recommendation of controls and management systems to reduce or redistribute peak energy consumption. This may include, but is not limited to, recommending smart thermostats, appliances with timers, and Wi-Fi water heaters. <p>Program Sponsor will determine whether the energy audit for each Eligible Project has met the federal grant requirements and communicate its approval to Program Lender.</p>
Eligible Borrower	An individual who owns a single-family home located in Virgin Islands.
Eligible Energy Audit Subsidy Recipients	<p>A low-income individual that owns a single-family home. Low income is defined in Section 3 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3102). This definition can be found here (number 36). Grant recipients will typically qualify based on the household income, that is, the recipient is eligible if the total family income that does not exceed the <u>higher</u> of the poverty line OR 70 percent of the lower living standard income level.</p> <p>Applicants will be required to submit an application form [to be developed] for approval by Program Sponsor to receive an energy audit subsidy.</p> <p>The Program Sponsor will reimburse the homeowner for 100% of the cost of qualified energy audits that meet Energy Audit Requirements.</p>
Loan Underwriting Criteria	As set by the Program Lender
Loan Terms	<ul style="list-style-type: none"> • Minimum Loan Amount: As set by Program Lender. • Maximum Loan Amount: As set by Program Lender. • Loan term is set by Program Lender, but in no event is greater than 15 years. • Program Lender will certify the normal and customary interest rate it would have set on the loan without Program Sponsor's support.

	<ul style="list-style-type: none"> • Program Sponsor will make an Interest Rate Buydown payment to Program Lender prior to loan closing. The interest rate buydown payment will reduce the interest rate on the loan to the Eligible Borrower to [1%]. • The Program Lender shall release the loan funds directly to the borrower (homeowner) at loan closing and may not be paid directly to the contractor (if received directly by the contractor, the retrofit is subject to Davis Bacon Act requirements).
Interest Rate Buydown	<p>The Interest Rate Buydown payment shall be calculated by Program Lender, which shall be agreed to by Program Sponsor. Generally, this will be calculated as the present value of the difference between (a) the monthly loan payment with a [1%] interest rate and (b) what the monthly loan payment would have been at Program Lender's normal and customary interest rate, discounted for the term of the loan using Program Lender's normal and customary rate, unless the Program Lender proposes a different methodology which is accepted by Program Sponsor.</p>
Program Sponsor Responsibilities	<ul style="list-style-type: none"> • Receive and approve applications to participate in the program as a Program Lender. • Receive and approve a project application for each loan. • Make Interest Rate Buydown payment to Program Lender on or before closing date for each loan. • Receive and approve applications for energy audit subsidies and make payments to eligible recipients upon completion. • Review Energy Audits and communicate project approval to Program Lender. • Monitor federal grant requirements (Davis Bacon Act, Build America Buy America Act, National Environmental Policy Act).
Participating Lender Responsibilities	<ul style="list-style-type: none"> • Loan origination and servicing. • Include statutory required flow-down federal requirements in agreement with borrowers (29 CFR 5.5). • Provide Program Sponsor with a copy of the loan agreement after closing. • Program Lender shall provide Program Sponsor a quarterly report of any loans which are 90+ days past due or have been written off by Program Lender. For each loan, the report shall include: the name of the borrower, the original principal loan amount, the principal loan balance, the date, and amount of the last payment, and whether or not the loan has been written off. This report shall be as of the last day of each calendar quarter and shall be submitted to Program Sponsor by the 15th day after each calendar quarter. If no loans are 90+ days past due or written off, the Program Lender shall provide a written confirmation to Program Sponsor. <p>This reporting is required to satisfy Program Sponsor's reporting requirements to DOE. It is anticipated that at the end of Program Sponsor's five-year grant award, DOE will enter into a closeout agreement which will Program Sponsor which will eliminate this reporting requirement. Program Sponsor shall notify Program Lender when it may discontinue its reporting.</p>
Federal requirements	<ul style="list-style-type: none"> • DOE will not assert Davis-Bacon Act coverage over individual homeowners who receive loans or grants from DOE programs to install energy efficiency measures and for which contractors are not receiving direct payment from the prime recipient or sub-recipient (i.e., the flow of funds must go directly to the homeowner). • Projects must comply with the Build America Buy America Act and National Environmental Policy Act where applicable.

	<ul style="list-style-type: none">• Program Sponsor will review and monitor federal requirements for Eligible Projects.
Agreements	Program Sponsor will enter into an Interest Rate Buydown Agreement [to be developed] with Program Lender for each approved project, using a form agreement provided by Program Sponsor.