



## Request for Information from Financing Companies for Michigan Saves Commercial Financing Program

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### PURPOSE

Michigan Saves has created a robust statewide commercial financing program for small to mid-sized businesses to finance energy-efficiency improvements. To make energy efficiency and renewable energy financing attractive and accessible to business owners in the state, Michigan Saves provides credit enhancement in the form of a loan loss reserve to private lenders.

Michigan Saves is interested in evaluating lender(s) who are interested in participating in the program. Through this request for information (RFI), Michigan Saves is soliciting information from leasing companies or other financing organizations. The responses to this RFI will be evaluated to determine whether a new financing partner will be added to the program.

### BACKGROUND

#### *General Overview of Michigan Saves*

Michigan Saves is a nonprofit organization dedicated to making energy improvements easy and affordable. Michigan Saves leverages third-party capital with innovative credit enhancement mechanisms, authorizes a network of energy efficiency and renewable energy system contractors, and monitors the program to track results and ensure success.

Under the general program framework, Michigan Saves manages a loan loss reserve fund that lenders and other financial entities can access in order to provide financing at more affordable rates and terms. Financing is offered for energy-saving and renewable energy measures or related health and safety measures. Contractors authorized under the program are trained in financing options and requirements, and can then promote the financing to their customers. Michigan Saves manages the overall program and support functions, such as lender and contractor recruitment and enrollment, program development and design, branding/marketing, quality assurance, impact monitoring, and financial management of the loss reserve. Michigan Saves has grant funding from the MPSC and U.S. Department of Energy, as well as a small amount of program revenue (e.g., contractor fees), which is used to fund these activities, including the credit enhancements.

Michigan Saves administers the following programs under the commercial market sector:

- Business Energy Financing Program
- Multifamily Energy Financing Program
- Public Sector Energy Financing Program

In addition to those commercial programs, Michigan Saves administers the Home Energy Loan Program (available statewide for affordable unsecured residential loans). Further details about Michigan Saves can be found on our website at [michigansaves.org](http://michigansaves.org).

### **Goals and Key Features of Commercial Program**

Michigan Saves launched the statewide commercial financing program in early 2013. As of November 30, 2015, we have financed over 400 commercial energy efficiency and renewable energy projects, valued at over \$12 million. Within the next five years, we expect to grow our monthly loan value to an average of \$1 million per month.

The key features of the program are as follows:

- The average financed amounts range from \$30,000 to \$40,000.
- The minimum amount financed is \$2,000.
- The maximum amount financed is \$250,000; projects over \$250,000 can be considered on a case-by-case basis.
- Underwriting and servicing are performed by participating lender(s).
- Financing is supported by credit enhancements provided by Michigan Saves under an agreement with participating lender(s).
- The program is available to all types of businesses.
- Measures must be [Michigan Saves eligible measures](#).
- Michigan Saves authorized contractors, including energy auditors and installation contractors, promote the financing to businesses. Among other things, contractors are responsible for completing program forms to document energy-saving installations and related savings.
- Marketed primarily through contractors, electric and natural gas utilities, and other partners. Michigan Saves will provide marketing support, including the design and production of marketing collateral, which contractors, financial institutions, utilities, and other partners can use and, as appropriate, co-brand.
- Third-party quality assurance, including periodic site inspections, will be performed by Michigan Saves and/or an applicable utility program.

### **EXPECTED ROLE OF FINANCING COMPANY**

Michigan Saves envisions that a lender would offer the following services as part of a commercial financing program; the exact role and other characteristics of the financing product and process are negotiable:

- Provide or arrange for capital for financing
- Accept and review financing applications in a timely manner, ideally with built-in, streamlined prescreening process
- Issue financing in amounts ranging from \$2,000 to \$250,000, with the possibility for higher amounts
- Make payments directly to contractors in a timeline manner
- Offer rates, terms, and underwriting criteria better than what's offered to customers who are not using Michigan Saves (due to credit enhancements); standardized rates, terms, and underwriting criteria are preferred

- Provide customer service to address inquiries and financing-related complaints and to facilitate transactions (paperwork, etc.)
- Serve as liaison with Michigan Saves, investors/lenders, customers, and participating contractors
- Facilitate the collection of forms for Michigan Saves
- Process interest rate buydowns, as applicable
- Report to Michigan Saves on leases or loans issued, amounts, rates, etc.

While Michigan Saves expects to perform the following functions, we would consider arrangements whereby the financing company provides some or all of these functions:

- Recruit contractors (e.g., skilled trades, equipment dealers)
- Screen and authorize contractors based on minimum requirements set by Michigan Saves and the financing company
- Review scopes of work to verify measures meet program eligibility guidelines
- Provide quality assurance on financed projects and monitor contractor performance, including periodic site inspections

## RESPONSES TO RFI

Responses to this RFI should include a brief narrative explaining the business and the level and type of interest in partnering with Michigan Saves to offer commercial financing as outlined above. In addition, the information requested in Attachment 2 should be completed. You may include any other information that you believe Michigan Saves should consider. Michigan Saves will treat all responses as confidential.

You may submit the response by sending two hard copies to:

Kaitlyn Wyckoff  
Michigan Saves  
230 N. Washington Square, Suite 300  
Lansing, MI 49833

Or by sending via email to Kaitlyn Wyckoff at [kwyckoff@michigansaves.org](mailto:kwyckoff@michigansaves.org).

**Electronic submission is preferred.**

**The deadline for response is 5:00 PM EST on Friday, February 19, 2016.**

## TIMELINE

After reviewing the responses, Michigan Saves may contact one or more respondents during March to initiate discussions and engage in negotiations regarding a financing product, roles, and other details.

## ADDITIONAL INFORMATION

Michigan Saves is not liable for any cost incurred by your firm in responding to this RFI. Refer to the Michigan Saves website ([www.michigansaves.org](http://www.michigansaves.org)) for additional information about the organization and its programs.

# Attachment 1: RFI Response Form

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## ***Background Information***

**Respondent name:**

**Address:**

**Address:**

**Ownership structure:**

**Principals:**

**Years in business under existing name:**

**National or local (and if local, where):**

**Core businesses:**

**Commercial financing represents what percentage of core business?**

**Financing structure (e.g., equipment lease, traditional loan):**

**What is your organization's net worth?**

**Can you provide three years of audited financials?**

**How are you compensated?**

**Are there any program setup fees we should be aware of?**

**What is a typical setup time?**

## ***Proposed Commercial Financing Program***

Please identify below the attributes of your existing financing program (or one in which you may offer as part of a partnership with Michigan Saves).

**Product type:**

**Security:**

**Is unsecured financing available? If so, under what conditions?**

**Do you serve all commercial business customers, including nonprofit entities, homeowner associations, and industrial customers?**

**Do you serve the multifamily market and the public sector market? If the financing product is different in these markets, please describe.**

**What is the loan/lease application fee? Is the application fee charged if the loan/lease application is denied?**

**Origination fees:**

**Credit matrix:**

**Underwriting documentation requirements:**

**Conditional approval timing:**

Approval rates (if approval rates are expected to change given presence of a loan loss reserve, please explain):

Minimum/maximum lease or loan amounts:

Average lease or loan amount:

Basis for interest rates:

How often are interest rates adjusted?

Maximum financing term:

Can you integrate a loss reserve? If so, how? And what effect will a loss reserve have on rates, terms and underwriting?

How do you conduct contactor recruitment, monitoring and certification?

Is prefunding available? If so, under what conditions?

Please describe available contractor tools (quote tools, apps, etc.):

Technologies financed:

Maximum soft costs allowed:

Is solar financing allowed? If so, please explain any differences in rates, terms or underwriting from standard offering:

Special requirements (e.g., membership requirements):

Reporting capabilities:

Do you conduct quality control and if so, please describe:

How do you provide customer support and issue resolution:

What is your ability to attend networking events within Michigan?

## **Revenue Sharing**

Michigan Saves charges contractors a fee of 1.99% of the total amount financed to pay for quality assurance and operations. In addition to a contractor fee, please provide suggestions for revenue sharing that would not jeopardize the attractiveness of the financing offer.