Attachment D

NYSERDA may modify these Standards and Underwriting Guidelines in writing via Email to EFS from NYSERDA's Treasurer without requiring a formal modification of this Agreement.

LOAN UNDERWRITING STANDARDS		
	Standard Criteria Loans	Extended Criteria Loans
Minimum FICO	640 (680 if self-employed for 2yrs+) (720 if self-employed < 2yrs)	540
Mortgage payment history	None	Current on all mortgage payments, if any (as reported on the credit report), for the past 12 months. No mortgage payments more than 60 days late during the past 24 months.
Max Debt-to-Income Ratio	Up to 50%	Up to 80% for FICO 680+ Up to 75% for FICO 600-679 Up to 70% for FICO 540-599 Up to 100%[4] for applicants who are qualified as owner-occupants for Assisted Home Performance with ENERGY STAR Subsidy for the subject property of the loan. ($5000/50%)
Bankruptcy	No bankruptcy, foreclosure, or repossession within last 7 years	No bankruptcy, foreclosure, or repossession within last 2 years
Judgments	No combined outstanding collections, judgments, charge-offs, or tax liens > $2,500	

The loan underwriting standards above and the guidelines below are subject to change by NYSERDA with written notice to EFS.

GJGNY Underwriting Guidelines

1. FICO score

A credit report will be run on all applicants who are individuals. The credit report and FICO score may be obtained from any major credit bureau. EFS will notify NYSERDA of any planned changes to the type of report or scoring model that it will use. At least one of the applicants must have a credit score meeting the criteria noted above. The higher score thresholds of 680 and 720 for self-employed applicants shall only be applied if an applicant's primary source of income (defined as self-employment being the largest income source) is self-employment. For purposes of this section, self-employment is defined as income that is reported on a Schedule C or Schedule E to the Federal 1040 form. EFS shall perform due diligence in verifying that the credit report that is obtained and reviewed is the correct report for the applicant who submitted the corresponding credit application.

2. Calculation of Debt-to-Income (DTI) Ratio

a. Debt Calculation –

Information on an applicant's debt obligations are gathered from the applicant's credit report. Additional supporting documentation provided by creditors may also be considered.

i. All minimum payments listed on the applicant's credit report shall be included in the calculation of the applicant's total monthly debt obligation, inclusive of mortgage payments on investment properties. The customer's monthly payment on the new loan through the Program should not be included in the calculation of the customer's monthly debt obligations.

ii. Debts shown on the credit report that attribute to the debt load calculation may be disputed in the following manner:

1. An applicant may provide documentation to show that an installment loan has been paid-in-full. The documentation must originate from the creditor or servicer of the debt.
2. For applicants with a divorce settlement that removes responsibility of a mortgage obligation, documentation must originate from the Mortgage Company or servicer of the debt.
3. When a new mortgage appears on the credit report but a prior mortgage obligation is still listed, the applicant may provide proof that the prior mortgage has been satisfied.
4. A new credit report must be obtained to confirm reductions in balances for revolving loans.

iii. For minimum payments on debts for which the outstanding balance is less than six times the monthly payment will not be included in the calculation, with the following exception: debts that are identified by the credit report as leases will be included in the debt calculation unless the outstanding balance is $0.

iv. If the credit report does not indicate a monthly payment amount for a debt, the greater of $10 or 1% of the outstanding balance will be included in the debt calculation.

v. Debts that have been 'charged-off' by the creditor or sent to a collections agency are not included in the calculation of the applicant's debt obligation.

vi. Lot rent for mobile homes shall be excluded from the calculation of the borrower's debt obligation.

vii. If the application includes a co-applicant, the combined debts of both applicants who are individuals will be evaluated to determine the DTI Ratio.

b. Income Calculation

The Residential Credit Application requires the applicant to state the current annual income amount that s/he receives. The stated income for an applicant/co-applicant on a credit application may not be different than the stated income for the same individual on a subsidy application. In instances where they differ, and neither application has yet been approved or denied, EFS shall use the lower of the stated income amounts. If the applications are processed at different times and one application has already been approved, EFS shall use the stated income on the previously approved application, or may allow the applicant the ability to use the more recent stated income for consideration, but this income shall apply to both applications, even if it results in revising the decision on the prior application. In instances where the initial application was denied, but subsequent application uses a different stated income, the more recent stated income may be used to determine eligibility. EFS shall initially use the stated income to determine meeting the DTI requirement. If the applicant's stated income meets DTI requirements, EFS may communicate conditional pre-approval subject to subsequent validation or documentation of stated income; if the stated income does not meet DTI requirement, EFS may communicate denial of the loan application prior to proceeding with obtaining further documentation of income.

The documentation of income for credit applications shall be through the same means as those used to document income for subsidy applicants. When available, EFS will use an automated income estimation tool that is mutually agreed upon by NYSERDA and EFS to attempt to validate the income amount stated by the applicant. If the income estimate tool provides a combined income estimate for the loan applicant(s) which is >= 85% of the combined stated income amount(s) on the credit application, then the stated income amount shall be used in the calculation. If the income estimate tool provides a combined income estimate <85% for the combined stated income of the loan applicant(s), then EFS shall request the applicant(s) to provide documentation of the stated income using the documentation methods described below. Once documentation of income is received, documented income shall be used in place of the income amount stated on the application.

Income estimates will be used to validate total current income of the applicant(s). When determining whether an income estimate validates stated income for a customer, the combined stated income of the applicant and co-applicant (if applicable) shall be compared to the combined estimated income for the applicant and co-applicant (if applicable). The estimate will not be used to validate a specific income type or source.

If the income estimate tool does not validate an applicant's stated income to meet DTI requirements, or if an income estimate is not available, the applicant/co-applicant will be required to document income using one of two methods: (1) submission of a copy or transcript of the prior year's Federal Income Tax Return (Form 1040; 1040A; 1040EZ; or 1040NR) for the applicant and/or co-applicant; or (2) submitting other required supporting documentation, per income type.

If the income estimate does not validate the applicant's stated income amount, the type of income documentation provided by the applicant will serve as the primary factor in determining which of the income documentation approaches described below should be applied by EFS. EFS may advise a customer that a different documentation method may be more advantageous, but must let the customer make the final decision regarding the method of documentation to use. EFS should not ignore information that it may gain about an applicant's financial situation when calculating the DTI Ratio. If an applicant advises EFS of a significant decrease in income from that which was reported on the prior year's return, EFS should require the applicant to submit documentation of current income, as described below, rather than the previous year's tax return.

Option 1: If the applicant(s) elect to document income through a copy or transcript of the prior year's Federal Income Tax Return, the following standards shall apply:

1. EFS will use the total net reportable income stated on the applicant's tax return. Net reportable income is calculated by taking the total income stated on line 22 of Form 1040; line 15 of Form 1040A or line 4 of Form 1040EZ (listed as Adjusted Gross Income on Form 1040EZ) and adding to it any non-taxable income reported on the return. Non-taxable reportable income includes certain Social Security benefits, pension/annuity benefits, IRA distributions, and tax-exempt interest. No adjustments should be made to this calculation based on the statement, or reasonable assumption, that a line item on the tax return is a retirement account rollover or a lump-sum distribution of income, unless the tax return states that a reported amount was a rollover.
2. If line 17 of Form 1040 indicates net income or loss for rental real estate, EFS will add back to the income or loss the mortgage interest and depreciation expense (lines 12 and 18 of Schedule E, respectively). This sum will be used as net income or loss from rental real estate when calculating the DTI Ratio. If the applicant is denied a loan as a result of using this approach, EFS is to communicate to the applicant and consider whether the use of the approach found in Option 2 number 4 may be appropriate to allow for loan approval
3. If the prior year tax return has not yet been filed by an applicant who applies for a loan and submits income documentation between January 1 and April 15 of a given calendar year, EFS may accept the tax return from the preceding year. A loan applicant who submits income documentation on or after April 16 of a given calendar year and has not filed the prior year tax return must provide proof of current income as outlined in Option 2, below.
4. Applicants who filed a joint tax return, but are applying for the loan individually must provide the relevant tax schedules, W-2 statement, or 1099 statement in addition to the tax return, and EFS shall use this

information to calculate the income attributable to the applicant/co-applicant.

Option 2: If the applicant elects to document income by submitting documents other than a recent tax return to support a stated income amount, the following standards shall apply:

1. When reviewing supporting documentation by type, EFS shall use the combined amount provided through such documentation. Unless otherwise stated by the customer or contractor, the customer's first submission of current income documents will be considered to constitute documentation of all current income sources received by the household.
2. Wage income shall be calculated by reviewing the applicant's year-to-date gross earnings as reported on a pay statement dated not more than 30 days prior to the date that the credit application was submitted and converting those year-to-date earnings to a monthly amount. Where this calculation does not provide an accurate assessment of the applicant's true income level (ex. the applicant has not worked for the same employer for the whole year, the applicant's rate of pay has changed, etc.), EFS will obtain additional payment advices and use a shorter time horizon to calculate a monthly gross income level for the applicant.
3. Income from seasonal employment may be considered, however the amount that is determined as monthly income must be based upon the annual amount divided by 12 calendar months. Calculations of seasonal income should be supported by documentation of earnings from similar employment conditions in one or more past years.
4. Self-employment income (including rental income) shall be calculated by a) reviewing the applicant's Federal Income Tax Return from the most recent tax year after adding back any mortgage interest expense or depreciation expense noted on the return and accompanying Schedules; b) a profit and loss statement with income/loss calculated prior to mortgage and depreciation expense; or c) for rental income, the applicant may submit to EFS either copies of executed leases or a summary stating the lease term and monthly rent for all leased units and EFS may calculate 75% of the annual gross lease payments and use this product when calculating the DTI Ratio. For purposes of this section, 'self-employment' includes income reported by an applicant on a Schedule C, E, or F. Where there is a sole borrower who filed a joint tax return, only self-employment income attributable to the borrower may be included in the calculation of income. If the prior year tax return has not yet been filed by an applicant who applies for a loan and submits income documentation between January 1 and April 15 of a given calendar year, EFS may accept the tax return from the preceding year to document self-employment income. A loan applicant who submits income documentation on or after April 16 of a given calendar year and has not filed the prior year tax return must provide proof of current

income. Income for self-employed applicants should be based upon federal income tax reporting standards and are based on net business income.

5. Benefit Income, such as Social Security, annuities, and pension income, will be based upon the gross monthly amount of the benefit received. Benefit income may be documented by means of a copy of a current benefit award letter or a copy of a bank statement evidencing the direct deposit of benefit income.
6. Investment Income shall be supported by copies of 1099s, brokerage statements, or the previous year's tax return. Income from these sources shall be converted into a monthly amount. Only the reportable portion of investment earnings shall be considered to be income for loan-qualification purposes. Customers may not declare a lump sum receipt to be an isolated and non-recurring event so as to exclude it from consideration for an Assisted Subsidy Application, while also claiming it as current regular income to support a Residential Credit Application.
7. Child support and alimony/maintenance will be supported through a copy of court order documents or payment history provided by the Child Support Collections unit.
8. Adoption subsidies will be supported through documentation of current receipt of subsidy funds.
9. Unemployment compensation received by the applicant at the time a credit application is submitted, and claimed by the applicant as current regular income, should be documented through the applicant's Unemployment Benefit Payment History. The Unemployment Benefit Payment History must confirm that the applicant is receiving benefits at the time of application and has a positive award balance remaining. Income from this source shall be calculated by annualizing the average weekly benefit received during the past four weeks.
10. Worker's Compensation and disability benefits may be documented using a payment advice or an award letter, identifying the amount and frequency of payments to be made.
11. Proceeds of student loans, scholarships, and student financial aid shall not be considered as income. However, stipends used to cover living expenses may be included in the calculation of the DTI Ratio.
12. Documented losses shall be treated as negative income and will serve to reduce the applicant's other income. A business loss (or other type of loss) reported on the previous year's tax return for a customer applying under Option 2 will only be counted as a loss towards the DTI Ratio if the customer provides documentation evidencing that loss.

<u>3. Bankruptcies, Foreclosures, and Repossessions</u>

a. If the applicant or both co-applicants have a history of bankruptcy, foreclosure, or repossession (as reported on the credit report) during the seven years preceding the date of the submission of their credit application, they are not eligible for a Standard Criteria loan approval. However, if one applicant meets this criteria and the other does not, they may be approved as co-borrowers on the loan provided that they meet all other underwriting criteria. If the applicant, or both applicants (if applicable) have a history of bankruptcy, foreclosure, or repossession activity not more recently than two years prior to the application submission date, they are eligible for Extended Criteria loan approval.

i. The two or seven year exclusion period begins on the date the bankruptcy, foreclosure or repossession has been dismissed, discharged or closed.

ii. For actions that were initiated, but are not reported on the credit report as dismissed, discharged or closed, the applicant may provide proof of such dismissal.

b. One applicant may have an open/active bankruptcy as long as the other applicant satisfies the requirement of not having bankruptcy, foreclosure, or repossession activity within the past seven years (Standard Criteria) or two years (Extended Criteria).

c. A deed in lieu of foreclosure for a loan on a time share property during the past seven years (Standard Criteria) or two years (Extended Criteria) shall not disqualify an applicant from loan consideration so long as the applicant's credit score is 640 or greater. A deed in lieu of foreclosure for a mortgage on a residence (whether primary or secondary) during the past seven years (Standard Criteria) or two years (Extended Criteria) shall disqualify the applicant from loan consideration.

4. Collections, Judgments, Charge-Offs, and Tax Liens

a. Individual applicants with collections, charge-offs, judgments, and tax liens that collectively total more than $2,500 are not eligible for the loan.

b. The limit of $2,500 also applies to the combined outstanding defaulted debts of both the borrower and co-borrower.

c. The $2,500 limit applies only to the portions of defaulted debts that remain outstanding.

d. Credible notices of satisfaction from creditors will be accepted as documentation that a defaulted debt is no longer outstanding.

e. EFS will review the credit report to determine that no collections, judgments, charge-offs or tax liens are reported which would disqualify the borrower for financing under these standards.

5. Property Status

a. For Smart Energy Loans, the applicant or co-applicant must own the installation property, or lease or manage the property and have authority to contract for energy efficiency improvements in the property (but EFS will not be responsible for verifying this information). For On-Bill Recovery Loans, the applicant or co-applicant must own the installation property.

b. Proof of ownership is required for the On-Bill Recovery Loan, and must be verified through a last deed search performed by a title company contracted by NYSERDA.

c. For OBR Loans, all property owners must sign the On-Bill Recovery Program Declaration. A borrower/co-borrower that is a legal entity, rather than an individual, may be party to the loan, in particular, to meet the property ownership requirement. When a legal entity is a party to the loan, the signature line on the Declaration will be prepared with the entity name, signatory's name and signatory's title as supplied by the signatory. EFS shall not obtain proof of the legal entity representative's authority as a signatory, and shall accept the information provided on the loan application. The NYSERDA standard loan documents shall include language requiring that the signatory represents that they are a duly authorized signatory of the entity. EFS may prepare the On-Bill Recovery Program Declaration for signature based on the applicant(s) submission of a copy of the property Deed, provided that prior to disbursement of the loan proceeds the ownership is confirmed through receipt of the Last Deed of Record Search by NYSERDA's Title Company. If an individual who is noted as an owner through result of the Last Deed of Record Search is deceased, EFS will obtain a copy of that individual's death certificate as proof that the surviving spouse may sign as surviving (tenant) by the entirety. EFS may rely upon guidance provided by NYSERDA and/or its contracted Title Company when reviewing Last Deed of Record Search results and preparing OBR Program Declaration documents for borrowers.

d. Mobile homes are eligible for financing through NYSERDA. The applicant and contractor must certify that the mobile home is permanently affixed to its foundation. For the Smart Energy Loan, the applicant must own the mobile home, but is not required to own the land where the home is located. For the OBR Loan, the applicant must own the mobile home and is required to own the land where the home is located.

6. Other

a. Either the borrower or co-borrower (if applicable) must be an individual. A borrower/co-borrower who is a legal entity rather than an individual may be a party to the loan, but will not be underwritten.

b. For an OBR Loan, at least one borrower must be named on the electric/gas utility bill for an OBR-participating utility. EFS will obtain a copy of the electric and gas (if applicable) utility bill for the property being improved. OBR-participating utilities include: Central Hudson Gas & Electric Corporation; Consolidated Edison Company of New York, Inc.; Long Island Power Authority (LIPA)/PSEG – Long Island; National Grid (Upstate NY customers only); New York State Electric & Gas Corporation (NYSEG); Orange and Rockland Utilities; and Rochester Gas & Electric Corporation.

c. EFS shall reserve the right to conduct additional review and analysis at its sole discretion, or as may be directed by NYSERDA.

d. Applicants who have previously accessed a New York ENERGY STAR Loan or an Assisted Loan (f/k/a the New York Energy $mart Loan) may access an additional loan through the Green Jobs-Green New York Financing Program, and a borrower may have more than one loan outstanding. The aggregate of all loans through the residential GJGNY Financing Program may not exceed the maximum loan amount stated previously. However, borrowers may access only one On-Bill Recovery Loan per utility account.

e. The borrower may be an employee or owner of the contracting company performing the work.

f. NYSERDA will identify a point of contact for EFS, who will provide guidance regarding underwriting situations that fall outside of the guidelines described in this document.

g. The Automatic Payment Authorization information for Smart Energy Loans, if elected by the applicant, is not required to be verified by EFS.

h. The mortgage payment history on a customer's credit report may be used to document that the customer satisfies the Extended Criteria mortgage payment history requirements. EFS shall consider months for which the creditor failed to report payment status to the credit bureau as months during which the customer was current on their mortgage payments.

i. For OBR Loans, a third borrower, when one borrower is a legal entity, may be added to the promissory note.

j. Applicants who are on a Deferred Payment Plan (as noted on the credit application) to address a past-due balance with their electric or gas utility are not eligible for the On-Bill Recovery Loan. The term "Deferred Payment Plan" in this provision applies only to installment plans intended to repay a past-due balance. The term "Deferred Payment Plan" is not intended to apply to a budget billing agreement. Applicants who are on a utility Deferred Payment Plan may be approved for a Smart Energy Loan.

l. In instances where there are minor discrepancies between the signature(s) on the Certificate of Completion as compared to the loan documents, or minor misspellings (such as a street address), EFS can accept such documents without requiring them to be resigned. EFS shall contact the borrower (or one of the co-borrowers) to confirm the signature(s) and approval of the Certificate of Completion to allow the loan proceeds to be disbursed. EFS shall document this communication with the consumer in writing in the loan file records.