

Residential Loan Program and Eligibility

SMUD is pleased to offer this financing program in order to encourage our customer ratepayers to replace high energy use equipment with more efficient models.

Borrower Eligibility Criteria *(list not all inclusive)*

1. As an applicant for a SMUD loan, you must be the vested owner of the property where the product(s) are to be installed, although you do not have to reside in the property. Properties vested in a trust **will** require additional information.
2. To be eligible for financing, the applicant must receive loan approval from SMUD **prior** to installation of any product(s).
3. Loans are not made to tenants renting or leasing the property.
4. At the time of the loan request, the property address for which financing is being requested must have an active, connected electric account with SMUD.
5. All of your SMUD accounts must have a satisfactory payment record as a prerequisite to qualify for any new SMUD loan. SMUD will also obtain a credit report from an outside agency to help determine your creditworthiness.
6. Where appropriate, SMUD may require additional financial statements or records for the loan evaluation process. However, most applicants need only submit the SMUD forms provided by their contractor.
7. For SMUD financing, you **must** select a contractor who has successfully completed and passed SMUD's loan finance training, **and** possess an active status license(s) from the State of California Contractors State License Board (CSLB) in the classification(s) appropriate for the measure(s) to be installed. For the **Home Performance Program (HPP)**, you **must** select a contractor from SMUD's **Participating Contractor List**. Tips for hiring a contractor can be found at www.smud.org/rebates. The CSLB has additional tips for selecting contractors: (800) 321-2752 or www.cslb.ca.gov.
8. Unsecured loans have more strict borrower eligibility criteria including:
 - a. An applicant **must** be **current** on **all** mortgage and property tax payments.
 - b. SMUD will obtain a consumer credit report from an outside agency to help determine your credit worthiness. SMUD's unsecured loans have a **minimum** Fair Isaac Corporation (**FICO**) credit risk score requirement.
 - c. An applicant **cannot** have any history of prior bankruptcy, foreclosure, and/or credit counseling.
 - d. SMUD requires **verification of income** for **all unsecured** loan requests.

Loan Terms and Conditions

1. SMUD offers two types of financing: secured loans and unsecured loans based upon the equipment/product to be installed. All **secured** loans have a fixed interest rate of **6.99%**. Presently, the terms and conditions are:

SECURED	AC or HP w/rebate	Windows
Maximum Loan Amount	\$30,000	\$30,000
Maximum Loan Term	15 years	10 years

UNSECURED	HPP	Title 24 AC or HP no rebate	Certain dwelling types
Maximum Loan Amount	\$30,000	\$10,000	\$5,000
Maximum Loan Term	15 years	15 years	3 years
Interest Rate	6.99%	8.99%	10.75%

Interest rates are subject to change; for current rates refer to www.smud.org/rebates or call (916) 732-5472.

2. The type of loan, secured versus unsecured, is based upon program type, the equipment/product to be installed and the type of dwelling. Any amount in excess of SMUD's maximum loan amounts must be paid out-of-pocket by homeowner(s). Unless otherwise specified, unsecured measures **cannot** be financed together with secured measures. They must be **separate** loans. There are **no exceptions** to these program parameters.
3. A loan application fee of \$100 will be charged for **all** loans with the **exception** of the Home Performance Program (HPP) for which the fee is presently waived. SMUD will return this fee if we decline the application or the applicant properly cancels the transaction with the contractor within the 3 business day right to cancel period. On occasion SMUD may offer special pricing or program promotions which could result in the reduction or elimination of certain fees.
4. SMUD's loans are simple interest, and have no prepayment penalties.
5. SMUD will send a monthly loan bill that is **separate** from the electric service bill.
6. Upon SMUD's approval, the loan commitment is valid for 60 days. Within this 60-day period, your contractor must install the product(s) and notify SMUD of the completion date.

7. For secured loans, SMUD **will** record a fixture filing (UCC1 Financing Statement) with the County Recorder as collateral for the loan. A fixture filing lien takes priority over pre-existing voluntary liens and deeds of trust encumbrances recorded against the real property in accordance with California Commercial Code Section 9334(d).
8. Some dwelling types **only** qualify for unsecured loans. Subsequently, such dwelling owners are eligible to install a central air-conditioner, heat pump, or windows on an unsecured basis up to the maximum loan amount of \$5,000. The type of dwelling will be verified by a review of real property records. The dwelling types with restrictions include:

TYPE	REASON
Mobile/manufactured home	Lack of ownership in the real property (land) upon which the dwelling resides
Reverse mortgage	Mortgage covenants
Cal-Vet mortgage	Mortgage covenants

9. SMUD prefers that a secured loan be paid in full should customers refinance their property or obtain a secondary loan. However, SMUD will evaluate subordination requests on a case-by-case basis. **Approved subordinations will require a loan modification.** Modified loan terms may include the choice of a mandatory pay-down of the unpaid principal balance, or shorter loan term. Modified loan terms **will** result in higher monthly payments. A subordination fee of \$250 will be charged, and the fee will only be returned if SMUD declines the request.
10. Consult a tax professional. The **interest paid** on a SMUD energy efficiency loan is **not deductible** on **federal taxes** because the loans are not secured by a deed of trust mortgage (26USC136 and 280A). On the other hand, interest paid/incurred on any loan obtained from a publicly owned utility for the purpose of installing energy efficient product/equipment in a qualified residence in California is **deductible** for **state tax purposes** (Cal Revenue and Taxation Code sections 17073 and 17208.1).

Eligible Equipment/Product

Please note the following if you are considering applying for a loan to finance the purchase of energy efficient products or equipment using SMUD financing. Currently, eligible equipment/product includes:

UNSECURED	SECURED
Home performance program (HPP)	Central air-conditioner (AC)
Title 24 central air-conditioner (AC)	Heat Pump (HP)
Title 24 heat pump (HP)	Windows

A SMUD Home Performance Program loan **requires** multiple eligible energy efficiency home improvement measures to be installed resulting in a minimum of 10% electric energy (kWh) savings or more.

Other Program Conditions

- The installation must comply with SMUD specifications and eligibility guidelines.
- Air conditioners, heat pumps, and windows must meet SMUD's minimum efficiency standards to be eligible for financing. Please check www.smud.org/rebates for specific information on minimum efficiency standards for each measure.
- A post-project energy assessment in accordance with the Home Energy Rating System (HERS) Whole House or Building Performance Institute (BPI) Building Analyst requirements is mandatory for all Home Performance Program (HPP) loans.
- SMUD will not finance previously installed products, or products paid for by the customer or financed through another lender.

Recommendations

SMUD recommends that you get more than one bid. Make sure that the bids are for models of the same size and efficiency levels to be able to make a fair price comparison.

Installation Information

- In most cases, your contractor will obtain the required City or County permit for you. However, it is your responsibility to ensure that the City or County inspection conditions are met.
- At SMUD's option, we may conduct a random inspection of completed work. In these cases, there will be no charge to you for our quality assurance inspection.

SMUD IS **NOT RESPONSIBLE FOR REPAIRS OR SERVICE.**

Who to Contact

If you have any questions or comments, please direct your calls to the following numbers:

Residential Services – 1-888-742-7683

Questions regarding: Program eligibility, contractor selection, installation process, inspections, and general energy efficiency questions.

Financial Services – (916) 732-5472

Questions regarding: Loan application process, loan or payment terms, fees, and collateral.

SMUD's internet address is smud.org.

