



TRAVERSE CITY  
LIGHT & POWER

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Report  
On Bill Financing Program

August 13, 2019

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## Document History

Version	Date	Nature of Revisions
1.0	August 13, 2019	Report On Bill Financing Program
2.0	June 9, 2020	Housekeeping items
3.0	July 13, 2021	Housekeeping, Loan Documents and EV Charging Station addition
3.1	October 7, 2021	Housekeeping, Addition of definition of “customer”
3.2	December 5, 2023	Housekeeping, Removal of EV Charging and Renewable Projects

This report is available on the Traverse City Light and Power’s website ([www.tclp.org](http://www.tclp.org)) and for review at the office located at 1131 Hastings Street, Traverse City, MI 49686. Jacob Hardy, Energy Technician and Key Accounts Manager is the official authorized to enter contracts on behalf of Traverse City Light and Power under the 2014 Michigan Municipal Utility Residential Clean Energy Program Act. (PA 408).

# Introduction

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## Purpose

This report outlines the details and requirements of the Traverse City Light and Power On-bill Financing Program, which provides easy, affordable loans to Traverse City Light and Power's homeowners for qualifying energy efficiency improvements. Customers pay back the loan through a per-meter charge on their utility bill for electric services. The loan payment is considered part of the charges for electric services to the property. The report serves as a reference for anyone who wants to learn more about the On-bill Financing Program, including customers and contractors.

## Why On-bill Programs?

Many homeowners lack the funds to make investments in clean energy improvements, especially for bigger ticket items that can produce the greatest savings. Higher up-front costs and a lack of easily accessible financing are commonly cited as key barriers to investments in residential energy efficiency improvements. Rebate programs do not significantly lower this barrier. A residential energy efficiency upgrade that includes insulation; building envelope upgrades; and heating, ventilation, and air conditioning (HVAC) improvements will often cost thousands of dollars. Access to financing is essential for reaching large numbers of homeowners and unlocking the many benefits of energy efficiency.

Over the past several decades, a range of clean energy financing tools have been developed with the goal of reducing the up-front costs for clean energy improvements. An on-bill program is a common energy efficiency financing tool. As of 2015, 32 states have legislation related to on-bill programs or utilities that have implemented (or are currently developing) on-bill programs.

While existing options add diversity to the financing tools available, in each case there is something unique about on-bill programs that help fill a gap. For example, on-bill programs can do the following:

1. **Expand access:** Existing clean energy financing tools active in Michigan use traditional underwriting criteria and may not be available or attractive to all customers, such as those with tarnished credit. Those who don't qualify for these programs may qualify using utility repayment history.
2. **Provide greater affordability:** On-bill programs typically allow for terms of up to 15 years (if non USDA funds are utilized), which make comprehensive energy efficiency improvements more affordable for homeowners. Extended-term financing is beneficial for low- to moderate- and fixed-income individuals who need low, fixed monthly payments.
3. **Provide solutions for tenants and other short-term occupants:** On-bill programs can be structured to allow the debt obligation to be transferred to subsequent occupants. This is an enticing option for those who are interested in making improvements but expect to move soon.
4. **Increase customer ease:** In addition to high up-front costs for making energy improvements, lack of information and transaction costs can hold projects back. On-bill programs can address these

barriers by integrating the improvement and payment process into customers' existing billing and customer services relationship with their energy provider.

## Using this Program Implementation Report

This report is written in a conversational way, reflecting the way industry professionals refer to efficiency measures or efficiency programs. As a result, there are instances where terms are used interchangeably, such as "audit" and "assessment."

This report represents the best and most accurate information on Traverse City Light and Power's On-bill Financing Program as of the date on the front cover. A summary of changes to each version of this report is recorded after the table of contents.

# Summary of the On-bill Financing Program

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## Program Overview

Under the Program, owners of residential buildings (four units or fewer), within the service territory of Traverse City Light and Power, can finance any eligible energy efficiency project. Eligible improvements include any measure or piece of equipment that has energy savings documented in the Michigan Energy Measures Database (MEMD)—such as air conditioners, air sealing, air source heat pumps, appliances, boilers, doors, furnaces, geothermal systems, insulation, roofs, skylights, water heaters, and windows. (See Appendix A for a sample list of eligible measures.)

Homeowners may also finance the remediation of pre-existing environmental hazards or the repair of physical and structural defects that create health and safety issues, so long as the remediation or repairs necessary to allow for an appropriate efficiency measure and the cause(s) of the environmental hazard or physical defect are addressed. All improvements must be implemented by an authorized contractor following the completion of a comprehensive, whole-home energy audit.

Loans under this program are secured loans for amounts of \$5,000–\$30,000 at a fixed-rate interest with terms of up to 120 months (10 years). Loans for amounts of \$1,500- \$5,000 at a fixed rate interest with terms of up to 60 months (5 years). (Details are provided in Table 1.)

Capital for the On-bill Financing Program was provided through the United States Department of Agriculture Rural Energy Savings Program Loan. Maximum amount requested will be \$250,000 per year not to exceed \$1,800,000 over ten years. Up to a maximum \$100,000 of capital could come from internal funds based on approval of Traverse City Light and Power board on an annual basis. As required by the Rural Energy Savings Program Loan Fund City of Traverse City pledged the full faith and credit of the City. Traverse City Light and Power will be utilizing the ability to lien properties for any delinquent amount allowing for full collection of outstanding amounts due.

**Table 1. Loan Product Details**

Program Element	Definition
<b>Eligible properties</b>	Single-family (one to four unit) homes within the service territory of a Traverse City Light and Power.
<b>Loan type</b>	<p>Secured loan.</p> <p>Notice of the loan is recorded with the register of deeds for the county in which the property is located, allowing the loan obligation to stay with the property and become binding for future owners contracting electric service to the property.</p> <p>Multiple loans per customer are allowed if the total amount financed does not exceed the maximum allowable loan amount (below). Multiple loans will be consolidated into one loan at the interest rate(s) in the effect at the time of issuing the additional loan.</p>
	A “Customer” for purposes of the On-Bill Financing Program, means a separately metered electric account in the name of the record owner, who is the applicant and borrower, and which is used for residential electric energy.
<b>Repayment mechanism</b>	Customers will pay back the loan through a per-meter charge on their monthly utility bill. The payment is considered part of the charges for electric services to the property. Traverse City Light and Power has the authority to disconnect the customer’s utility service for nonpayment of the loan.
<b>Loan amounts</b>	\$5,000–\$30,000
<b>Loan term</b>	10 years or useful life of the improvement, whichever is less. (5 years for loans of \$1,500 to \$5,000)
<b>Loan rates</b>	Not to exceed prime plus 4 percent or up to 5% for loans funded by the USDA Rural Energy Savings Program. Fixed rate with no prepayment penalty. Final APR is dependent on loan amount and length of loan.
<b>Key underwriting criteria</b>	<p>Twelve consecutive months of utility bill payments with no delinquencies on electric utility bill payment history. If an applicant has no more than one delinquency in the past 12 months, TCLP may pre-approve the applicant if there is no more than one delinquency in the last 24 months and the applicant has a credit score of 640 or higher.</p> <p>No delinquent taxes, bankruptcies, foreclosures, or repossessions greater than \$1,000 within the last three years (from discharge). No unsatisfied money judgement.</p>
<b>Loan agreement</b>	Loans are made directly by the authorized lender to the customer.

## Participant Roles and Responsibilities

Numerous organizations are involved in this program—from the program's marketing to the installation and financing of improvements and program monitoring. Roles of key entities, which are referenced in this report, are summarized in Table 2.

**Table 2. Role and Responsibilities of Program Participants**

Program Participant	Responsibilities
<b>Program administrator</b>	<ul style="list-style-type: none"> <li> Recruit utility participants; arrange for loan origination and servicing; manage and oversee provider contracts (lender, originator, servicer, etc.).</li> <li> Research data needs and requirements; develop and/or coordinate the data exchange protocols.</li> <li> Establish quality assurance criteria and procedures.</li> <li> Develop metrics and reporting requirements.</li> <li> Recruit, register, and oversee authorized installation contractors and energy auditors that provide services and promote financing under the program.</li> <li> Develop contractor training materials and conduct contractor training.</li> <li> Develop and implement an outreach plan and a branding/marketing strategy.</li> <li> Create marketing collateral to be used by participating utilities and contractors.</li> <li> Develop and maintain systems for capturing project data.</li> <li> Conduct customer satisfaction surveys and quality assurance inspections.</li> <li> Monitor program results and impacts; create monthly and annual program performance reports.</li> </ul>
<b>Traverse City Light and Power</b>	<ul style="list-style-type: none"> <li> Work with capital provider, loan originator, and utility to develop underwriting criteria.</li> <li> Work with the capital provider and loan originator to develop the loan application.</li> <li> Promote loan program to customers and provide support (e.g. customer service, contractor outreach).</li> <li> Collect loan payments.</li> <li> Bill customers. Finalize program structure; create all program documents; and develop a program implementation report.</li> <li> Coordinate the legal review of program structure and documents.</li> <li> Coordinate Energy Saver rebate application. (The TCL&amp;P rebate associated with the work pertaining to the loan application will be applied to loan)</li> </ul>

<b>Traverse City Light and Power (cont'd)</b>	<ul style="list-style-type: none"> <li> Provide loan capital.</li> <li> Hold loan agreements with customers.</li> <li> Record notice of loan with register of deeds with county where property is located.</li> <li> Discharge loan from register of deeds upon notification of full repayment.</li> </ul>
<b>Loan originator/Lender</b>	<ul style="list-style-type: none"> <li> Accept loan applications from customers.</li> <li> Review underwriting criteria to determine loan eligibility.</li> <li> Create and distribute loan packet to customer.</li> <li> Provide signed loan packet to capital provider.</li> <li> Send new loan information to servicer.</li> <li> Maintain license per federal and state laws; follow legal report lines in the lending and decision-making processes.</li> <li> Pay installation contractor upon completion of work.</li> </ul>
<b>Loan servicer – Traverse City Light and Power</b>	<ul style="list-style-type: none"> <li> Process loan payments.</li> <li> Keep track of principal and interest paid.</li> <li> Monitor delinquencies.</li> <li> Notify utility of monthly loan payment amounts to be collected on utility bill.</li> <li> Notify customer, utility, and capital provider upon full repayment of loan.</li> </ul>
<b>Customer/homeowner</b>	<ul style="list-style-type: none"> <li> Select authorized contractor for energy audit and improvements; apply for loan.</li> </ul>
<b>Residential energy auditor</b>	<ul style="list-style-type: none"> <li> Conduct comprehensive whole-home energy assessments.</li> <li> Promote financing to customers.</li> </ul>
<b>Installation contractor</b>	<ul style="list-style-type: none"> <li> Install energy-saving projects under contract with the customer.</li> <li> Promote financing to customers (can be the same company as energy auditor).</li> </ul>

# Lending Requirements

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## Overview of Lending Requirements

The authorized lender provides loans to customers whose residential property is located within the service area of Traverse City Light and Power. The loans comply with all applicable consumer lending laws. Customers will repay the loan monthly through a per-meter charge on their utility bill. The payment is considered part of the charges for electric services to the property. Consequences for nonpayment are the same as other utility service charges; the balance owed could be enforced in the same way that delinquency with utility service payments is handled.

## Customer Eligibility

Eligibility requirements for the Traverse City Light and Power On-bill Financing Program include the following:

-  Property must be located within the service area of Traverse City Light and Power.
-  The customer must have at least 12 consecutive months of utility bill payments without any late charges.
-  The name of the loan applicant must be the name on the utility account
-  Applicant must meet underwriting criteria. (For details, see Table 1 above.)
-  Applicant must complete a home energy audit. (See the Comprehensive Energy Assessment below.)
-  Rental properties are eligible (single family; one to four units).
  - In Landlord/Tenant situations the Landlord must have the electric service in their name to be able to apply for the loan

Customers who qualify for free or lower-cost weatherization or retrofit programs are encouraged to take advantage of those programs before seeking loans through the program. Examples of such programs include the following:

-  Weatherization Assistance Program: Administered by the state and local community action agencies.
-  Michigan State Housing Development Authority Property Improvement Program.
-  Utility income-qualified weatherization programs.
-  U.S. Department of Agriculture loan and grant programs.
-  Customers are encouraged to contact individual programs for detailed eligibility requirements and current program information.

## Loan Application Process

We expect that many homeowners will learn about Traverse City Light and Power's On-bill Financing Program from contractors and outreach efforts of utility participants. In some cases, customers will seek authorized contractors via the Michigan Saves online searchable database. In other cases, contractors will promote their affiliation with the program through marketing materials. Regardless of the flow of contact between a customer and an authorized contractor, the enrollment process remains the same.

**Step One:** The customer identifies an authorized contractor to perform an energy assessment and identify potential energy improvements. (See the Eligible Improvements section below for details.) As part of the energy assessment, the contractor should perform "test-in" diagnostics, unless asbestos or other

hazardous materials are present in the home. The contractor should provide the customer with a detailed work plan and the cost for the proposed improvements. The customer may complete a pre-approval application at this time through the on-bill financing section of Traverse City Light and Power's website.

**Step Two:** If the customer would like to apply for the on-bill loan, the contractor initiates the loan application process for the customer by accessing the loan application center via internet. The customer completes the loan application or sends a paper copy by mail. The loan application includes a consent form, which authorizes the release of the customer's utility bill payment history to loan application center. In most cases, the customer will receive a decision within minutes. The customer will be notified, in writing, if their loan application is approved, conditionally approved, or denied. If the loan application is conditionally approved, the customer will be asked to provide additional documentation to complete the application process. (See Appendix B for a sample loan application.)

**Step Three:** If a customer's loan application has been approved, and they wish to move forward with the on-bill loan, the customer should sign the contractor's agreement, the loan documents, and schedule the project through their contractor.

**Step Four:** The contractor installs the equipment according to the work plan and the contract with the customer. A "test out" procedure, such as a blower door test, may also be conducted to ensure that the improvements were installed properly. The "test out" procedure is not required to participate in the on-bill financing program. As necessary, the work plan could be modified to add or subtract energy efficiency or nonenergy building performance improvements. If a change in the work plan caused the cost of the project to increase or decrease, the customer will have to sign new loan documentation that reflects the new project cost.

**Step Five:** After installation the contractor obtains the customer's signature on a certificate of completion (COC) and sends the COC to the program administrator. Once this is received an on-site audit may be performed to ensure the work plan was followed and the job is complete. This triggers payment to the contractor. (See Loan Closing and Servicing section below for more detail.) Payments are made directly to the contractors, minus an administrative fee, and normally arrive within seven to ten days.

**Step Six:** The contractor logs into their account, created when the contractor became authorized to participate in the on-bill loan program, and creates a new specification sheet (also called spec sheet or project record). The contractor attaches the signed COC and other project documentation, such as the detailed work plan, energy assessment report, and cost-benefit analysis, to this spec sheet. Once the spec sheet is complete, the contractor submits it to the program administrator so that quality assurance procedures can be implemented and energy savings calculated.

**Step Seven:** The customer repays the loan via direct billing by the participating utility on their monthly utility bill.

## Loan Origination

The loan originator performs the following functions:

-  Verifies that the contractor initiating the loan application and performing the work is authorized by the program administrator.
-  Obtains consent from the applicant to pull credit history (according to underwriting criteria) and determines eligibility for loan.
-  Obtains consent from the applicant for lender, contractor, and Traverse City Light and Power to disclose customer- specific information about the improvements made, financing provided, and pre- and post-installation energy savings to the program administrator.
-  Confirms compliance with program requirements.
-  Communicates loan approval immediately upon receiving the loan application submission via web.
-  Facilitates the fulfillment of the loan requirements of the lender, including customer enrollment and generating loan agreements. (See Appendix B for sample loan agreement.)

Some of the sales that will be financed through the program will have been initiated by a contractor and, therefore, will be subject to the Michigan Home Solicitation Act. The loans are also subject to the Michigan Home Improvement Finance Act, which gives the customer the right to rescind the loan agreement no later than 5 PM on the business day following the date thereof.

## Loan Closing and Servicing

The authorized lender will comply with all consumer lending laws. Once loan origination is complete, the customer will sign the loan documents. If the scope of work changes after the loan documents are signed, but before project completion, the contractor will prepare a change order with the revised project cost and submit to the lender. The customer would then sign revised loan documents.

Payment to the contractor will not occur until the work is completed and the borrower has signed a COC, created a spec sheet, and uploaded all supporting project documentation. Traverse City Light and Power reserves the right to periodically inspect work upon completion. This COC certifies that the borrower is satisfied with the completed work and consents to share certain information with the program administrator. The contractor will submit the signed COC to the program administrator, who will transmit it to Loan Originator/Lender, thereby affirming project completion and triggering payment to the contractor.

Traverse City Light and Power will begin billing the customer on the customer's utility bill after the loan is closed in accordance with their established billing practices. Customers can make extra payment on the loan or pay off the loan early, without penalty, if they choose. Extra payments or payoffs should be sent directly to the Traverse City Light and Power.

Consequence for nonpayment will be the same as for other utility service charges: service can be shutoff for nonpayment, according to the terms of the participating utility's shut-off policy. Also unpaid loan accounts can be collected just like delinquent tax payments.

Notice of the loan will be recorded with the register of deeds for the county in which the property is located, and the obligation to pay the loan payment will stay with the property and be binding on future owners of the property. (See Appendix B for details.) When the property is sold (or rented), the property owner must disclose the loan to the prospective buyer or renter.

## Fees

To maintain and monitor the network of contractors promoting the financing, the program administrator assesses authorized contractors a fee of 1.99% of the loan value upon loan closing. TCL&P withholds the 1.99% fee from the checks sent to contractors. TCL&P sends the fees to the program administrator monthly, along with a report that summarizes loan activity. The contractor agrees to the 1.99 percent fee when they join the on-bill loan program and sign the contractor agreement.

## Eligible Improvements

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Financing may only be used for qualifying energy efficiency or nonenergy building performance improvements installed by authorized contractors. Measures installed by the homeowner—or by any other individual or company not authorized (or not acting as a sub-contractor for an authorized contractor)—are not eligible for financing. Additionally, improvements must save energy (no cosmetic improvements), unless the improvements are nonenergy building performance improvements related to energy efficiency. A comprehensive energy assessment is required on every project. Due to this requirement, emergency equipment replacements are not eligible.

### Comprehensive Energy Assessment

A comprehensive home energy audit (or assessment) by a certified home energy auditor must be completed before the customer applies for financing. A home energy audit is an evaluation of the energy performance of a residential structure—conducted by a qualified person using building performance diagnostic equipment and complying with American National Standards Institute approved home energy audit standards. The audit must meet both of the following requirements:

- I. Determines how best to optimize energy performance while maintaining or improving human comfort, health, and safety, as well as the durability of the structure.
- II. Includes a baseline energy model and cost-benefit analysis for recommending energy efficiency improvements.

With a comprehensive home energy assessment, homeowners are encouraged to implement multiple measures. Whenever recommended by the assessment, health and safety measures must be implemented for the project to be eligible for financing. Contractors must follow Section 802 of the Residential Energy Services Network standard for blower door test procedures when suspected asbestos or other hazardous materials are present.

Energy assessments must be conducted no more than 12 months prior to the loan application.

Customers can pay for the energy assessment up front or roll the cost into their loan. If a homeowner does not implement any improvement identified by the energy assessment, or is not approved for financing, the homeowner must pay the full cost of the energy assessment.

## Eligible Measures List

Homeowners can finance any eligible energy efficiency and/or nonenergy building performance improvement that is implemented by an authorized contractor. Eligible improvements include any measure or piece of equipment that has energy savings documented in the MEMD—air conditioners, air sealing, air source heat pumps, appliances, boilers, doors, furnaces, geothermal systems, insulation, roofs, skylights, water heaters, and windows. (See Appendix A for a sample list of eligible measures.)

The on-bill loan program also allows customers to finance the remediation of pre-existing environmental hazards or the repair of physical/structural defects that create health and safety issues (collectively known as nonenergy building performance improvements). The customer may only finance nonenergy building performance improvements if they are coupled with an appropriate efficiency measure, and if the cause(s) of the environmental hazard or physical defect are addressed. (See Nonenergy Building Performance Improvements below).

All appliances and other replaced equipment must be disabled and taken out of service permanently and must be either recycled or disposed of in accordance with local, state, and federal laws, codes, and ordinances. Appliances and other replaced equipment may not be re-used.

All work must be performed in accordance with all applicable federal, state, and local codes and standards, and contractors must obtain all required permits from local authorities.

## Nonenergy Building Performance Improvements

The on-bill financing program also allows customers to finance the remediation of preexisting environmental hazards or the repair of physical/structural defects that create health and safety issues. The customer may only finance nonenergy building performance improvements if the improvements are coupled with an appropriate efficiency measure, and if the cause(s) of the environmental hazard or physical defect are addressed. Examples of this type of work include but are not limited to the following:

-  Asbestos abatement with air sealing or when installing a new boiler system.
-  Electric service upgrade, necessary when installing a new heating/cooling unit.
-  Upgrade of knob and tube wiring to install insulation.
-  Radon and lead abatement work.
-  The cost of removing an oil tank when done with a heating system replacement.
-  Repairs to the home due to water damage, molds or mildew, ice dams, or other symptoms of poor building performance if the cause(s) of building performance-related damage are addressed.

In each of these examples, the remediation of the environmental hazard is necessary to allow for the installation of an efficiency measure. Customers cannot finance the remediation work on their own. A customer must also install a related efficiency measure.

Any remediation work must be performed by a contractor who is qualified, and in many cases, licensed for the task. Contractors should not attempt to remediate environmental hazards or correct physical defects they are not trained or qualified to repair. Doing so will increase contractors' liability and jeopardize their participation in the program. Authorized contractors who can remediate environmental hazards should consider obtaining pollution occurrence (also called pollution liability) insurance to protect them from liability.

## Authorized Contractors

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All energy-saving improvements that qualify for financing must be installed by an authorized contractor (i.e., energy auditors and contractors installing qualifying improvements to homes). The program administrator authorizes and manages the contractors. To be authorized, the contractor must meet certain minimum requirements, including appropriate insurance, licensure, and program training. (See Table 3 below for details.) These requirements are reflected in the contractor application that must be completed by the contractor to become an authorized contractor. Authorized contractors can implement any energy efficiency measure on the eligible measures list. (See Appendix A for details.) In all cases, a baseline home energy audit must be conducted before an energy project is undertaken. (See details about requirements for the audit in the Comprehensive Energy Assessment above.)

**Table 3. Contractor Qualifications**

<b>Category</b>	<b>Description</b>	<b>Documentation Required</b>
<b><u>Business Organization, Financial/Ethical Stability</u></b>		
Licensed business	The company is registered with the Corporations Division at the State of Michigan	License number and business type (LLC, corporation, etc.) on application form
Workers' compensation or self-insurance	Required for all contractors unless they are a sole proprietor or limited partnership, which are exempt under state law, or a corporation or a limited liability company that has filed for an exclusion	Insurance certificate, proof of sole-proprietorship, or state exclusion form
General liability	Required with minimum coverage of \$1,000,000 per occurrence, \$1,000,000 aggregate	Insurance certificate
Add as certificate holder	Contractors must add Traverse City Light and Power as a certificate holder to their certificate of insurance	Insurance certificate with Traverse City Light and Power shown as a certificate holder
<b><u>License/Certification</u></b>		
Skilled trade license	Active license in applicable trade (see Table 3), as required by law with no pending actions against the license	Copy of license and confirmation of no pending action on application form
Federal lead-safe certification*	Required for any contractor with a residential builders or maintenance and alterations license (strongly suggested, but optional, for all other contractors)	Proof of successful completion
<b><u>Training/Education</u></b>		
Michigan Saves training	Training session on Michigan Saves program requirements and financing (offered online or via video)	Proof of participation

\* As of April 22, 2010, the U.S. Environmental Protection Agency (EPA) requires that contractors performing renovation, repair, and painting projects that disturb lead-based paint in homes, child care facilities, and schools must be certified and follow specific work practices to prevent lead contamination if the structure was built before 1978. Firms can become certified by completing an application and sending in a fee payment. Applications may take up to 90 days to be approved by the EPA. Individual renovation contractors must complete an EPA-accredited training course to receive certification. More information is available at <http://www.epa.gov>.

Any installation contractor performing work in a trade that requires a state license must have a valid license specific to that trade. The relevant state licenses are listed in Table 4.

**Table 4. Summary of State Licensing Requirements for Contractors**

<b>Skilled Trade</b>	<b>License</b>	<b>Special Designations</b>
Boiler	Boiler installer	None
Construction, including insulation, remodeling, and weatherization	Residential builders	None
Electrical	Electrical contractor or master electrician	None
Mechanical	Mechanical contractor	<ol style="list-style-type: none"> <li>1. Hydronic heating, cooling, and process piping</li> <li>2. Heating, ventilation, and air conditioning (HVAC) equipment†</li> <li>3. Ductwork</li> <li>4. Refrigeration</li> <li>5. Limited heating service†</li> <li>6. Unlimited heating service</li> <li>7. Limited refrigeration and air conditioning service†</li> <li>8. Unlimited refrigeration and air conditioning service</li> <li>9. N/A for program</li> <li>10. Specialty License A—Solar</li> </ol>
Plumbing	Plumbing contractor or master plumber	None
Solar photovoltaic	Master electrician or electrical contractors license, and residential builders license	None

†Minimum requirement for mechanical contractor license. Strongly suggest classification numbers one (hydronic heating, cooling, and process piping) and three (ductwork), but they are not required. The Michigan mechanical code requires mechanical contractors to hold the service classifications (numbers five or six and seven or eight) if the contractor is servicing HVAC equipment. Classification number two (HVAC equipment) is for installation work only and is not a substitute for the service classifications.

Because of the complex nature of solar PV systems, the program has additional requirements for solar PV installation contractors. These additional requirements reflect the program administrator's desire that only experienced contractors install these systems.

Contractors must provide documentation that they meet the following minimum requirements:

-  Master Electricians license or Electrical Contractors license and a Residential Builders license

If a contractor does not hold the appropriate licenses, they should provide a copy of their sub-contractor's license.

Contractors should also meet one of the following requirements:

-  North American Board of Certified Energy Practitioners (NABCEP) Solar PV Installer Certification; or
-  NABCEP Solar PV Entry Level Program and two installations totaling 1 kW DC with at least 1 solar PV system that include an inverter and is subject to a complete electrical permitting and inspection process by local authorities. The contractor must have served as foreman, site supervisor, or site manager responsible for the quality of the installation—for both installations; or
-  Installations of at least four solar PV systems with three that include an inverter and are subject to a complete electrical permitting and inspection process by local authorities. The contractor must have served as foreman, site supervisor, or site manager responsible for the quality of the installation for at least three of the installations.

## Contractor Training

Authorized contractors must participate in training before performing any work under the on-bill financing program. At least one designated employee for each contractor must attend the training. That individual will serve as the contractor's point person to train other employees. While they are not required to do so, other employees having direct contact with customers, particularly those promoting the on-bill loan program, are strongly encouraged to attend the training.

The program training covers the following topics:

-  Role of authorized contractors in the program
-  Program guidelines, including eligible improvements
-  Customer eligibility and enrollment process
-  Use of forms
-  Marketing and communications guidelines
-  Quality assurance process

## Administrative Fees Assessed to Contractors

Authorized contractors shall pay to the program administrator a fee of 1.99% of the loan amount for work completed under the program. The proceeds from collected fees are used by the program administrator to sustain the program's operations. The fee will be deducted from the amount sent by the lender to the contractor.

## **Removal From Program**

Traverse City Light and Power and/or Michigan Saves reserves the right to remove contractors from the authorized contractor program

# Billing and Payment

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## Contractor Payment

After the work is satisfactorily completed, the customer and contractor will sign a COC. The contractor is responsible for submitting this form, the spec sheet, and all supporting documentation to the program administrator. Once the COC is received, the lender will pay the contractor. The contractor will be paid within seven days of receipt of the signed COC.

## Customer Rebates

The on-bill loan program is designed to complement utility rebates, state rebates, contractor incentives, and federal tax credits. For rebates offered by the State of Michigan, Traverse City Light and Power or DTE, the customer should follow the redemption procedures outlined by those entities. While the contractor can help the customer complete the redemption form, the customer is responsible for submitting the rebate form. The customer is also responsible for claiming any applicable federal tax rebates. The contractor will provide all the necessary product information and costs for customers to include in their tax filing.

Because rebate amounts and availability can change quickly and without notice, the program administrator strongly suggests that contractors and customers contact the utility directly for up-to-date information prior to installing any efficiency measure. The program administrator has no control or influence over any rebate program and makes no assurances or guarantees as to rebate amounts or availability. The rebate applied for through Traverse City Light and Power will be applied towards the outstanding loan as a credit. This only applies to the rebate pertaining to the energy saving measure(s) on the work plan associated with the loan.

The program does not currently provide for a contractor buy-down of the interest rate on a loan. However, contractors may apply other types of incentives before or after the loan is finalized (rebates, cash back, etc.). The contractor shall report any incentives accepted by the customer on the *spec sheet*.

## Customer Inquiries

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Customer inquiries regarding loan-related questions should be directed to the lender. Customers should direct any billing questions to Traverse City Light and Power. Customer complaints regarding services, equipment, or authorized contractors should be directed to the program administrator.

The program administrator oversees all aspects of the on-bill loan program, including program participants, processes, and external communications. In this role, the program administrator reviews certain credentials of the contractors. However, the program administrator does not "certify," "approve," or "qualify" contractors. The program administrator cannot endorse or make any warranties as to the work or business practices of a contractor. The program administrator encourages each customer to research the contractor's work through word of mouth, contractor ratings, customer networks (such as Angie's List), and the Better Business Bureau.

If a customer makes a complaint with the program administrator regarding a contractor's performance, workmanship, or professionalism, the program administrator will note the complaint in the contractor's permanent file and take appropriate action. Repeated customer complaints can result in a contractor's suspension or termination from the program.

# Quality Assurance

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Contractors promoting financing must provide high-quality work and comply with the requirements outlined in this report. The program administrator will perform certain quality assurance (QA) functions to confirm that—on a consistent basis—the financed measures qualify under program guidelines and were installed in accordance with applicable program requirements and industry standards, ensuring that energy savings can reasonably be achieved.

## Quality Assurance Objectives

The QA objectives are to:

- Clearly define and educate contractors on the program requirements and institute processes and systems to avoid problems where possible and to proactively identify potential issues
- Verify that financed measures are qualifying improvements under program guidelines
- Verify that the contractor followed Traverse City Light and Power program guidelines in performing the work and related paperwork requirements
- Verify that there were no fraudulent or misleading actions on the part of the contractor or auditor
- Confirm customer satisfaction with contractor's performance and quality of work
- Provide a process for evaluation of contractor performance and workmanship and the resolution of identified problems

## Quality Assurance Procedures

The QA procedures for overall program compliance and installation of measures are summarized in Table 6. These procedures combine contractor training and feedback through traditional oversight, while also providing a high level of assurance for homeowners that measures were installed correctly, a check for fraudulent activity, and continual improvement from contractors.

The QA procedures generally follow the Home Performance with ENERGY STAR® (HPwES) model, including document reviews, file checks, and site inspections. Michigan Saves will coordinate with any HPwES program in the state, such as the Consumers Energy program, to use that program's QA in lieu of most of these procedures. In addition, to avoid duplication, Michigan Saves will coordinate with third-party accreditation programs on QA activities for contractors participating in the Michigan Saves program.

**Table 5. Summary of Quality Assurance Procedures**

QA Measure	Purpose
Document review	Review COC for signatures and specification sheet for compliance with program guidelines
Customer satisfaction survey	Confirm contractor work quality and customer satisfaction with overall program—screen for site inspection
Phone call to customer	Verify customer satisfaction—screen for site inspection
Site inspections (periodic)	Verify accurate reporting and appropriate installation of measures

## Document Review

After the COC and the specification sheet are uploaded to Michigan Saves through the OCP, Michigan Saves reviews the documents for accuracy and completeness. If the documents are not complete, Michigan Saves sends an email to the contractor asking for the missing information. If the missing information is not provided within two weeks, Michigan Saves will call or send a second email request and give the contractor another two weeks to provide the missing information. If the contractor does not respond, then Michigan Saves may issue a corrective action report (CAR) to the contractor.

## Customer Satisfaction Survey

Michigan Saves sends a customer satisfaction email survey to each customer following the completion of the project. Customers rate their experience with Michigan Saves and the authorized contractor. All customers are given the opportunity to provide feedback, and all feedback that is received is anonymized, recorded, and made available in the “rating” column of the contractor search result. Michigan Saves will not provide names or contact information for any customer that submits feedback. Concerns with any customer comments or ratings should be submitted to Michigan Saves staff.

## Phone and Site Inspections

After Michigan Saves reviews the documents for completion and accuracy, a certain percentage of projects will be selected for further review. Projects with unusual diagnostic test results or potential discrepancies will be flagged for site inspection. If additional projects need to be inspected to meet the minimum level of site inspections, projects will be selected at random

Phone or site inspections will occur on two of the contractor’s first ten projects, and then 5 percent of projects thereafter. Initially, Michigan Saves staff will call the customer to confirm their satisfaction with the work and ask if they would like an onsite visit by staff. Michigan Saves staff will coordinate the site inspection directly with the homeowner.

Michigan Saves staff may request additional documentation in advance of a site inspection. This may include documentation of efficiency or equipment sizing, such as Manual J calculations, manufacturer documents, project invoice, or the start-up manual used to calibrate a furnace. Contractors must have these documents on file and supply them within ten days of the request.

During a site inspection, Michigan Saves staff will perform the following tasks:

- Visually, and through conversation with homeowner, verify basic information about the home and the installed equipment
- Visually confirm that all work identified in work scope has been completed
- Verify that installation of equipment or materials is satisfactory:
  - Confirm reported efficiency rating of installed equipment, where applicable (evidence of window efficiency must be available at the home for purchase verification or available upon request)
  - Verify that furnace was calibrated appropriately (manufacturer's start up sheet has been completed and left with the homeowner or is available from contractor upon request)
- Verify that no unsafe conditions from installed work exist
- Verify that permits were pulled, if applicable

For air sealing and insulation projects with diagnostic testing, Michigan Saves staff will perform the following tasks:

- Visually, and through conversation with homeowner, verify basic information about the home and the installed equipment
- Confirm if the homeowner received an audit report (visually inspect if possible)
- Visually confirm that all work identified in work scope has been completed
- Verify that installation of equipment or materials is satisfactory:
  - Confirm reported efficiency rating of installed equipment, where applicable (evidence of window efficiency must be available at the home for purchase verification or available upon request)
  - Verify that furnace was calibrated appropriately by reviewing the manufacturer's start up sheet, when available
  - Visually inspect attic insulation to confirm pre- and post- R value of insulation
  - Inspect other insulation
- Verify that no unsafe conditions from installed work exist
- Verify the blower door test-out results
- Verify that there is no obvious failure to comply with applicable laws, codes, and ordinances, such as providing R value and material for insulation to occupant

## Types of Deficiencies and Corrective Action Reports

All deficiencies identified during quality assurance reviews and inspections will be categorized as safety, workmanship, or programmatic findings based on the guideline provided below. All deficiencies will require a corrective action, as indicated on the CAR.

Any repeated deficiencies will be cause for evaluation of contractor program status or dismissal from the program. If objective evidence is not supplied indicating that corrective actions have been addressed, including pictures or other such evidence, Michigan Saves may require an additional field inspection to verify the completion of the corrective action.

### Safety Deficiencies

Safety deficiencies detected during site inspections must be addressed by the contractor within 48 hours of receipt of the CAR, because there is an immediate health and safety risk to the homeowner.

Safety deficiencies may include:

- Electric, fire, or structural hazards to occupant that were part of installation
- Failed combustion safety testing results
- Gas leaks
- Improper clearance to combustibles that were part of installation
- Improper pipe wrap installation that creates a combustion hazard
- Serious moisture issues that were not corrected by the installed measures
- Unsafe conditions from installed work that are an immediate risk to occupants
- Violation of the Building Airflow Standard
- Other issues as defined by Michigan Saves staff during the site inspection

### Workmanship Deficiencies

Workmanship deficiencies detected during inspections must be addressed by the contractor within 14 days of contractor receipt of the CAR. Examples of workmanship deficiencies include:

- Failure to follow all applicable laws, codes, and ordinances (such as not providing documentation of R value and material for insulation to occupant according to Michigan Residential Energy Code N1101.3.1).
- Failure to provide homeowner with furnace calibration worksheet (start-up sheet)
- HVAC equipment is improperly installed or not operational
- HVAC system is over- or under-sized by more than 20,000 BTUs when compared to Manual J calculation
- Missing carbon monoxide detector, conforming to Underwriters Laboratory standard 2034,

- Poor workmanship
- Test-out diagnostics incomplete or inaccurate (Example: greater than 10 percent variance between contractor test-out and quality assurance blower door results)
- Unvented combustion appliances defined by the Building Performance Institute as a health and safety issue left in the home
- Other issues as noted by inspector

## Programmatic Deficiencies

Programmatic deficiencies are issued by Michigan Saves during documentation review. Deficiencies must be addressed by the contractor within 30 days of contractor receipt of the CAR. Examples of programmatic deficiencies include:

- Failure to submit COC or specification sheet in a timely manner
- Failure to respond to safety and workmanship CARs
- Financing of nonqualifying measures
- Installation of measure was different than that noted on Michigan Saves specification sheet
- Installation of eligible measures not recorded on the specification sheet
- Misrepresentation
- Other issues as noted by inspector

## Contractor Response to Corrective Action Reports

All inspection noncompliance and/or deficiencies, whether safety, workmanship or programmatic, will be documented on a CAR and transmitted to the contractor. Contractors may be asked to submit a written response to Michigan Saves indicating how they have implemented the corrective action required, and what steps will be taken to prevent future deficiencies. Failure of the contractor to respond by the time designated on the CAR may result in a change in contractor status. Nonresponsive or late response to a CAR may result in the contractor's suspension or termination.

Response times may vary, and contractors should consult the CAR for the response time specific to a given project. General contractor response times to correct a deficiency of installation are shown below. Contractors may be required to implement longer-term measures to prevent further deficiencies in the future, such as staff training.

- **Safety corrective actions:** Must be remedied by the contractor within 48 hours or time noted on CAR.
- **Workmanship corrective actions:** If possible, deficiency must be remedied by the contractor within 14 days. If a remedy is not possible (i.e., the contractor has oversized a furnace) then the contractor may be asked by Michigan Saves to submit a written action plan to prevent future deficiencies.

- **Programmatic corrective actions:** If possible, deficiency must be remedied by the contractor within 30 days. If a remedy is not possible, then the contractor must submit to Michigan Saves a written action plan to prevent future deficiencies.

Michigan Saves is responsible for verifying and approving any corrective actions submitted by the contractor. If CARs are incomplete or do not adequately address the deficiency, the contractor will be notified of the deficiency by Michigan Saves and required to resubmit the CAR response.

## Written Response

CARs include space for contractors to submit a written response to the deficiencies noted by the inspector. Upon request, contractors who receive a CAR should return it with a written response explaining what steps they will take to correct the noted deficiency (short-term corrective actions), as well as what steps they will take to ensure that such deficiencies are not repeated (long-term corrective actions). Long-term corrective actions may include changes to a contractor's business procedures and staff, or training for current staff. Objective evidence of corrective actions, such as pictures, training records, and updated procedural manuals, must be supplied for all safety and workmanship CARs and as needed for any minor CARs.

## Corrective Action Examples

Example CARs and corrective actions are summarized in Table 7.

Table 6. Sample Corrective Actions

Deficiency	CAR Type	Response Time	Root Cause	Short-term Corrective Action	Long-term Corrective Action	Objective Evidence
Gas leaks	Safety	24 hours	Improper installation	Leak repaired within 24 hours of notice	Improved training of technicians	Customer confirmation of repair
Failure to submit COC and specification sheet in a timely manner	Programmatic	30 days	Not familiar with program requirements	Additional staff training	None	Proof of training
Oversizing of HVAC equipment	Workmanship	14 days	Incorrect Manual J calculation	Notice to all staff to perform and document Manual J calculations	None	Manual J software identified, and sample Manual J calculation performed by contractor
Installing ineligible measure	Programmatic	30 days	Not familiar with program requirements	Additional staff training	None	Proof of training

<b>Deficiency</b>	<b>CAR Type</b>	<b>Response Time</b>	<b>Root Cause</b>	<b>Short-term Corrective Action</b>	<b>Long-term Corrective Action</b>	<b>Objective Evidence</b>
Manual J calculation not completed	Workmanship	14 days	Manual J calculation not completed by staff	Reminder to staff to complete Manual J calculation for all installations	Installation checklist distributed to staff that includes all steps to be taken when installing a furnace, including sizing furnace with Manual J calculation	Copy of notice to staff and checklist submitted with written response

## Contractor Participation Status

Contractors who successfully complete one project every 12 months, without any major issues, will remain in good standing. Michigan Saves staff will evaluate contractor performance on, at least, an annual basis to ensure that contractors continually meet our standards for workmanship and comply with program requirements. Michigan Saves reserves the right to terminate contractors, who do not meet our quality standards or who repeatedly fail to comply with program requirements.

Michigan Saves will use best judgment, based on the number and severity of issues, when determining if a contractor's participation in Michigan Saves should be terminated. Depending on the severity, number, and type, the following noncompliance issues could lead to a contractor's termination.

- Failure to complete one loan every 12 months or failure to pay the \$25 annual fee when a loan is not completed each year
- Failure to follow program guidelines and requirements, including form completion or installation requirements
- Health and safety issue in home resulting from work
- Loss of license or insurance or other requirements
- Misrepresentation
- Convictions or disciplinary action by state or other official body

At all times, Michigan Saves, at its own discretion and without reason, retains the right to terminate a contractor from participating in the program.

## Customer Inquiries and Complaints

Customer inquiries or complaints regarding services or equipment installed should be directed to the contractor. Michigan Saves encourages each customer to research the contractor's work through word of mouth; contractor ratings; customer networks, such as Angie's List; and the Better Business Bureau.

If a customer files a complaint with Michigan Saves regarding a contractor's performance, workmanship, or professionalism, Michigan Saves will note the complaint in the contractor's permanent file and take appropriate action. Repeated customer complaints can result in a contractor's suspension or termination from Michigan Saves. Customer complaints will be flagged and reviewed by Michigan Saves and may be prioritized for a site inspection. Site inspections do not constitute an effort to resolve any disagreement between the customer and the contractor.

Customers should direct any billing questions to TCL&P.

## Metrics and Reporting

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The program administrator will monitor the effectiveness and impacts of the on-bill financing program. Key metrics include the following:

-  Number of loans
-  Loan value (average and total)
-  Energy savings (average and total)

The program administrator will have access to information on customer participation, measures installed, and utility savings in accordance with authorizations signed by participating customers. The program administrator and its officers, directors, and agents will take necessary precautions to protect the confidentiality of the customer and contractor information and will only use the information for evaluation and program management purposes.

## Marketing

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The program administrator will rely on two primary marketing efforts to promote the on-bill loan program. These two efforts will be spearheaded by Traverse City Light and Power and the program administrator.

### Traverse City Light and Power's Marketing Efforts

Marketing efforts include utility's newsletter, program flyers, direct mailings, and marketing pieces at bill payment center. Postings to Traverse City's Light and Power's Twitter and Facebook page will be completed on a periodic basis. A link to all marketing materials will be available on Traverse City Light and Power's website.

### Program Administrator Marketing Efforts

The program administrator will provide authorized contractors with a contractor marketing tool kit that stipulates marketing guidelines and resources to help authorized contractors promote the on-bill loan program to customers. The tool kit includes information, such as permitted and required uses of logos and other branding requirements, contractor identification cards, and sample copies of marketing materials.

Contractors can also follow the on-bill financing program branding guidelines to develop their own customized marketing materials with the on-bill financing program logo. Any use of Traverse City Light and Powers logo(s) must be requested in writing. Traverse City Light and Power reserves the right to deny and/or terminate a contractors use of its logo. The program administrator reserves the right to request changes to, or the termination of, any contractor- generated marketing materials that do not meet program or brand guidelines. The contractor bears all changes and associated costs. Contractors can request a review of draft materials, but this is not required.

**At no time will the contractor represent its business as an agent or representative of Traverse City Light and Power or Michigan Saves.** Contractors may represent themselves as an authorized contractor. The program administrator does not "certify," "approve," or "qualify" contractors. Any contracts between the contractor and its customers, or any third parties, shall clearly and conspicuously express that no agency relationship exists between the contractor and the program administrator.

## **Process to Amend the On-bill Loan Program**

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Traverse City Light and Power seeks to continuously improve the on-bill financing program. Suggestions may be sent to **Jacob Hardy, 1131 Hastings St, Traverse City, MI 49686, [jhardy@tclp.org](mailto:jhardy@tclp.org)**. The suggested changes will be reviewed by program staff and may be presented to the program participants for consideration.

Traverse City Light and Power may change the conditions of their participation in the on-bill financing program, as allowed by PA 408 of 2014 and PA 342 of 2016.

## Appendix A: Eligible Measures List

The Michigan Energy Measures Database contains the most recent and ruling version of the list of eligible measures. The following table has been inserted as a small sample for reference.

Measure Description	Useful Life (yrs)
<b>Appliances</b>	
Clothes dryer	14
Clothes washer	11
Dehumidifier	12
Dishwasher	11
Freezer (chest)	21
Refrigerator/freezer	16
<b>Building Envelope</b>	
Air seal can lights	15
Attic/roof insulation	25
Attic hatch insulation	20
Basement wall insulation	25
Cool roofing	20
Crawlspace wall insulation	25
Door (exterior)	20
Door weatherstripping	5
Duct insulation	20
Floor insulation	25
Infiltration reduction (Any %)	13
Kneewall insulation	20
Pipe wrap	15
Rim joist insulation	25
Wall insulation	25
Windows	25
<b>HVAC Improvements</b>	
AC (package system)	15
AC (split system)	15
Air source heat pump (ASHP)	15
Boiler	20
Duct sealing	18
Electric water heater	15
Furnace with energy conservation motor (ECM)	15

Measure Description	Useful Life (yrs)
<b>HVAC Improvements (cont.)</b>	
Gas tanked water heater	13
Ground source heat pump (GSHP)	15
Heat pump water heater	10
Instant gas water heater	20
Room air conditioner	15
Thermostat	9
<b>Other Energy Improvements</b>	
Ceiling fans	15
CFL bulbs	9
LED bulbs	15
Whole house fan	15

# Appendix B: Sample Loan Documents

## Note, Disclosure, and Security Agreement

Lender	Borrower	Summary
Traverse City Light and Power 1131 Hastings St TRAVERSE CITY, MI 49686	John Doe 123 Sample St TRAVERSE CITY, MI 49686	Loan Number: 210xxxxxxxx Loan Date: xx/xx/2021 Maturity Date: at maturity Loan Amount: \$30,000.00 Renewal of: N/A

<sup>1</sup> Refer to the attached addendum for additional Borrowers and their signatures.

### Truth-in-Lending Disclosures

Annual Percentage Rate The cost of my credit as a yearly rate.	Finance Charge The dollar amount the credit will cost me.	Amount Financed The amount of credit provided to me or on my behalf.	Total of Payments The amount I will have paid when I have made all scheduled payments.
3.422%	\$5,358.91	\$29,403.00	\$34,761.91

#### My Payment Schedule Will Be:

Payments	Amount of Payments	When Payments are Due
119	\$289.68	
1	\$289.99	
	\$	
	\$	

"e" means an estimate.

**Demand.** <sup>1</sup> This note has a demand feature. <sup>1</sup> This note is payable on demand and all disclosures are based on an assumed maturity of one year.

**Prepayment.** If I pay off this note early, I <sup>1</sup> may  will not have to pay a minimum interest charge.

<sup>1</sup> If I pay off this note early, I will not be entitled to a refund of part of the additional finance charge.

**Late Charge.** If a payment is late (more than 10 days after due) I will be charged The lesser of \$5.00 or 5.000% of the amount past due.

**Security.** I am giving a security interest in:

- <sup>1</sup> the goods or property being purchased.
- <sup>1</sup> collateral securing other loans with you may also secure this loan.
- <sup>1</sup> (brief description of other property)

Filing Fees. \$ 0.00

Non-filing Insurance. \$ 0.00

<sup>1</sup> **Required Deposit.** The annual percentage rate does not take into account my required deposit.

**Contract Documents.** I can see my contract documents for any additional information about nonpayment, default, any required repayment before the scheduled date, and prepayment refunds and penalties.

### Promissory Note

**Promise to Pay.** For value received, I promise to pay to you, or your order, at your address above, the principal sum of \$ 30,000.00 plus interest from \*Contractor Paid Date at the rate of 3.000% per year until Paid in Full

Interest accrues on a 360/360 basis. I agree to pay late charges in accordance with the provisions shown in the Truth-in-Lending Disclosures. The purpose of this loan is Energy Efficient Home Improvement (s)

**Payment.** I will pay this note as follows:

- <sup>1</sup> Interest due

Principal due

This note has 120 payments. The first payment will be in the amount of \$ \$289.68 and will be due 30 days after \*CPD . A payment of \$289.68 will be due on the same day of each consecutive month thereafter. The final payment of the entire unpaid balance of principal and interest will be due at maturity

## Notice to Borrower

**Definitions** – the pronouns I, me, and my refer to each Borrower signing the Note, Disclosure, and Security Agreement, Notice to Borrower and Memorandum, individually and together with their heirs, successors and assigns, and each other person or legal entity (including guarantors, endorsers, and sureties) who agree to pay this Note, Disclosure and Security Agreement (Loan Agreement). You and your refer to the Lender and its successors and assigns.

**Contractor Paid Date** – “Contractor Paid Date” means the future date on which loan funds are fully disbursed to my Contractor, identified in the Loan Agreement. The date occurs after all material and work has been satisfactorily completed per my contractor’s proposal and a Certificate of Completion is signed by me.

**Recording of Memorandum** – I agree that a memorandum and Notice of On-Bill Payment will be signed by me with respect to my property. The Memorandum will be discharged or terminated by <INSERT OBR UTILITY NAME> who is recording a notice of discharge.

**Right to Prepay** – I have the right to make prepayments of the remaining balance owed at any time. There are no penalties for prepayment. I must notify <INSERT OBR UTILITY NAME> if I intend to pay any portion of the loan or payoff the loan prior to its maturity date.

**Payments** – I agree to permit Lender to invoice the payments due through my utility bill from <INSERT OBR UTILITY NAME>. Payments are due on the same date as my utility bill. I will make these payments every month to the utility, unless notified differently, until I have paid all the principal and interest and any other charges that I may owe under this Loan Agreement. My monthly payment due under this Loan Agreement will appear as a line item on the monthly utility bill. It may take up to two billing periods, but no less than 30 days, to see my loan installment on my utility bill. While the loan payments are to be made through my utility bill, this Loan Agreement is between me and the Lender. Any dispute related to Loan Agreement terms, conditions or charges must be resolved between myself and the Lender.

The payments shall be a “per meter” charge and shall run with the property.

Payments received by <INSERT OBR UTILITY NAME> will be first applied to utility charges for electric, water and sewer, then to other utility charges and then to my loan payments under the Loan Agreement.

Any payments to my utility that are less than the full amount due will be applied to my obligations as <INSERT OBR UTILITY NAME> may determine in accordance with its policies and procedures, which may include applying such payments to energy charges first before payment is made to the Loan Agreement balance.

**Late Charges** – If payments due under this Loan Agreement are being collected through my utility bill, then any late payment or underpayment charges on these payments will be calculated the same way as those assessed on my utility bill for late or underpayments for my utility service. If payments due under this Loan Agreement are being collected directly by the Lender, and if the Lender has not received the full amount of any monthly payment the terms of the Loan Agreement will apply. If I have no more than

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one delinquency in the past 12 months, <INSERT OBR UTILITY NAME> may pre-approve my application if there is no more than one delinquency in the past 24 months and my credit score is 640 or higher.

**Default** – Payments due under this Loan Agreement are being collected as charges for electric services through my utility bill and if I am in default, <INSERT OBR UTILITY NAME> may send me a disconnection notice and may disconnect my service if I do not pay the overdue amount on my utility bill by a certain date established in accordance with the late payment and disconnection policies and procedures of <INSERT OBR UTILITY NAME>. If I am disconnected, <INSERT OBR UTILITY NAME> may require me to pay immediately the full amount of remaining loan principal which has not been paid, all the interest I owe on that amount and all other energy charges before it reconnects my service, not just the loan payments I did not make. If payments due under this Loan Agreement are being collected directly by the Lender, the terms of the Note, Disclosure and Security Agreement will apply.

This Loan Agreement is secured by a lien on the property effective on the Contractor Paid Date. Monthly payments that are not paid on time may be added to my property tax bill and enforced against the property through the tax lien foreclosure process in the same manner and with the same priority as the charges for real property taxes.

Payment of this Loan Agreement will not prevent disconnection of my utility service for non-compliance with the tariffs, rules or regulations of <INSERT OBR UTILITY NAME>.

If all or any part of the property or any interest in the property is sold or transferred without <INSERT OBR UTILITY NAME>'s prior written consent, I will be in default and <INSERT OBR UTILITY NAME> may require immediate payment in full of all money then owed under this Loan Agreement. However, this option may not be exercised if it is prohibited by law. If <INSERT OBR UTILITY NAME> exercises this option, it shall give me notice of acceleration and I and any unconsented transferee shall pay all such money within 30 days. If not so paid, <INSERT OBR UTILITY NAME> may invoke all remedies permitted by this Loan Agreement without further notice or demand.

**Return Check Fees** – If payments due under this Loan Agreement are being collected through my utility bill and I pay by a check which is returned for any reason, I agree to pay <INSERT OBR UTILITY NAME> a return check charge of equal to that charged for a return check charge for my utility bill. If payments due under this Loan Agreement are being collected directly by the Lender return check fees will be assessed according to the terms of the Loan Agreement.

**Right to Cancel** - I may rescind or cancel this Loan Agreement, not later than midnight on the third business day following the date I sign it by giving written notice of rescission to <INSERT OBR UTILITY NAME> at its place of business or by mailing a notice of cancellation of the Loan Agreement to <INSERT OBR UTILITY NAME> c/o Energy Finance Solutions, 431 Charmany Dr., Madison, WI 53719 by depositing a properly addressed certified letter in a United States post office mail box, but if I rescind after midnight on the third business day following, I am still entitled to offer defenses in mitigation of damages and to pursue any rights of action or defenses that arise out of the transaction.

**Utility Account** – I must meet certain utility eligibility standards in order to take advantage of <INSERT LOAN PROGRAM NAME>. I must meet these eligibility standards with <INSERT OBR UTILITY NAME> when I apply for the loan. These standards include the following: my utility account number must be valid, the utility account must be active and current, there cannot have been any late charges assessed

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to my <INSERT OBR UTILITY NAME> utility account in the last 12 months. If I have no more than one delinquency in the past 12 months, <INSERT OBR UTILITY NAME> may pre-approve my application if there is no more than one delinquency in the past 24 months and my credit score is 640 or higher.

**Borrowers' Representations** – I consent to <INSERT OBR UTILITY NAME> or any third party originator or servicer sharing information about this loan with <INSERT OBR UTILITY NAME>'s Board of Directors. I have contracted directly with an energy audit firm to audit and a contractor to perform energy improvements to my property and agree that <INSERT OBR UTILITY NAME> and its third party originator or servicer are not responsible for the audit firm's or contractor's performance or the quality of their work or performance of any warranty. I agree that I may not withhold payment on this Agreement for any amounts claimed to be owed to me for any claim against the energy audit firm or contractor except to the extent required to be allowed by MCL 445.1207. If I sell or transfer my property, I will advise the buyer of this Loan Agreement and the on-bill payment obligations. If the property is or will be used for rental property, I or future owners shall keep the utilities in my or the new owners name and will not file an affidavit or notice of the Tenant's responsibility for payment of charges for electric services. The filing of such an affidavit shall not affect the ability to add delinquent payments to future tax bills. I have determined that the execution of this Loan Agreement does not violate the terms of any mortgage or land contract signed by me.

**Signatures** – By signing, I agree to the terms contained in this Notice to Borrower. *I also acknowledge receipt of the Loan Agreement (Note) and Notice to Borrower on today's date.*

Whether or not the undersigned have elected to sign this document electronically, EFS, and or any subsequent holders of this document, shall have the right to convert and store the manual signature electronically and the undersigned consents to the use of the electronically stored version in the same manner as an original signed copy.

I understand and intend that a legal signature is formed by entering my name on this and other documents provided to me, and by entering my name on this and other documents provided in relation to this transaction I intend for my electronic signature to have the same force and effect as my manual signature. If any of the parties do not wish to sign this document electronically, all must opt out together and request a paper copy to sign manually.

By entering my name below, I am creating a legally binding signature and confirm that I agree and accept the signature terms and conditions.

X \_\_\_\_\_  
<INSERT BORROWER NAME>

X \_\_\_\_\_  
<INSERT CO-BORROWER NAME>

Date \_\_\_\_\_

Date \_\_\_\_\_

# Appendix C: Memorandum and Notice of On-bill Payment Agreement

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## MEMORANDUM AND NOTICE OF ON-BILL PAYMENT AGREEMENT

### **THIS MEMORANDUM AND NOTICE OF ON-BILL FINANCING**

**AGREEMENT** is made this <Day> day of <Month>, <Year> by and <customer(s) name(s)> of <customer address> (the "Owner") and <Name of Capital Provider/Lender> of <address of capital provider/lender>.

### **WITNESSETH:**

**WHEREAS**, <Name of Capital Provider/Lender> and the Owner have entered into a Loan Agreement (the "Agreement") of even date herewith to finance energy improvements to the Property described below with payments billed as a per-meter charge on electric utility bills for the property; and

**WHEREAS**, the parties desire to enter into this Memorandum to give record notice of existence of the Agreement pursuant to MCL 460.969 (5).

**NOW THEREFORE**, for other good and valuable consideration, the Owner and <Name of Capital Provider/Lender> acknowledge, and the parties give notice that:

1.They have entered into a Loan Agreement to finance energy improvements for the property known as <installation address>, legally described as follows:

<legal description>

Tax Parcel No.: <123456789>  
(the "Property")

2.The Agreement provides for the monthly payments due under the Agreement to be billed on the electric utility bill for the Property in the amount of <\$XXX.XX> per month with the last bill due on or before the final payment due date.

3.The on-bill payments are deemed part of the charges for electric services to the property pursuant to MCL 460.969 and thus, are an obligation the runs with the land and the meter for the Property requiring payment in order to obtain electric service to the property.

4.Nonpayment of the electric bill and the loan payments can be enforced in the same manner as nonpayment of other charges for municipal electric services to the property, i.e., by shut-off of electric service or collected as taxes

5.The Agreement provides that the Owner and Owner's successors must keep the electric utility account in the owner's name may not file an affidavit of tenant responsibility for any unit of the Property while the Agreement has an outstanding balance.

6.This Memorandum will be discharged only when the Agreement has been paid in full. Information about the Agreement, its terms, or the amount owed can be obtained from Lender at the address set forth above.

This instrument is exempt from transfer taxes, because this Memorandum and Notice is not an instrument of sale or transfer of the property but merely gives notice of the Agreement.

{Signatures on next page}

Memorandum and Notice Signed by the Owners on this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

**Owners:**

By: <Insert Signer Name> \_\_\_\_\_ By: <Insert Signer Name> \_\_\_\_\_

STATE OF MICHIGAN )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me in \_\_\_\_\_ County, State of Michigan,  
this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by \_\_\_\_\_ and \_\_\_\_\_, Owners.

Notary Public, \_ County, Michigan  
My commission expires: \_  
Acting in \_ County, Michigan

Memorandum and Notice signed and executed by <Name of Capital  
Provider/Lender> on this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

<Name of Capital Provider/Lender>, Fund

\_\_\_\_\_, its <Title>  
By: <Name of Lender Representative>

STATE OF MICHIGAN )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me in \_\_\_\_\_ County, State of Michigan,  
this \_\_\_\_ of \_\_\_\_\_, \_\_\_\_\_, by \_\_\_\_\_, Controller of [name of capital provider/lender].

Notary Public, \_ County, Michigan

My commission expires: \_

Acting in \_ County, Michigan