Report provided by:
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Dollar and Energy Saving Loan Program
Nebraska Energy Office

Summary
NE's *Dollar and Energy Saving Loan Program* is a revolving loan program which provides low-cost financing for energy efficiency improvements to homes, businesses (commercial, industrial), farms/ranches, local government, energy efficient homes, telecommunications, EnergyStar office equipment and dedicated alternate fuel vehicles and renewable energy projects.

The program was implemented in 1990 with an interest rate to the consumer of five percent. The length of the loan is set by the lender and can range from five to ten years.

How Does it Work?
More than 300 of the state's financial institutions at more than 900 lending locations serve as our lenders. Once an energy loan has been made by a lender, the Energy Office invests in the loan by purchasing 50% to 75% of the loan from the lender at zero percent interest. Lenders realize a market rate yield on their portion of the loan while giving a net rate of no more than five percent to the borrower.

Lenders, within the parameters of the program, set the loan term and frequency of installment payments. Institutions writing a loan for the maximum loan payback term of ten years are allowed to charge a two-percent origination fee at the time the loan is made. Out of pocket expenses incurred by the lender in processing the loan, as well as documentation and inspection fees are allowed and may be added to the loan. Lending institutions service the loans and reimburse the Energy Office for their portion of the repayments on a monthly or quarterly basis.

Lending institutions participating in the Loan Program must be chartered or incorporated in Nebraska. All loans must be serviced in Nebraska and cannot be sold to a servicer outside of the State.

How is the program funded?
The loan pool is capitalized with approximately $24 million of Oil Overcharge Funds, $1million from the state's largest utility, Nebraska Public Power District, $250,000 from the State's Department of Environmental Quality and $11 million of SEP Stimulus Funds for a total of $36 million.

As of March 31, the Energy Office has invested in 25,618 energy loans totaling more than $203.5 million. The Energy Office's share of these loans is $101.9 million. The loan Program has leveraged $103.4 million from the states lender's (banks, credit unions, savings & loan institutions). Lenders are required to pursue all avenues to collect delinquent and/or defaulted loans and to confer with the Energy Office prior to offering any settlement agreement to borrowers. Since 1990, the Loan Program has had $68,000 in losses due to bankruptcies or uncollectable loans.

Why the Success of Nebraska's Loan Program
First, we hired a banker to design the Loan Program. Secondly, we worked with the Nebraska Bank Association in the design of the program. All of the loan forms are familiarto the lenders and that

helped with their willingness to participate. Also, at the time, lenders realized quickly that they could use the loan program to meet their Community Reinvestment Act requirements. The Program also created a new loan product for the lenders.

There are no income requirements and no energy audit requirement. We established a preapproved list of energy improvements than could be financed. The only time an audit is required is when the improvement is not on the list. If the audit shows the improvement will pay for itself in 15 years, then it can be financed.

We've transformed the appliance market by setting our energy efficiency standards higher than the appliances that were available in the marketplace and we've moved consumers to a much higher energy efficiency level overall. Our energy efficiency standards are Energy Star or higher.

We've had a waiting list due to demand twice in the loan program, which I do not recommend. Unhappy consumers call the Governor and their State Senators! The biggest lesson we learned is when we developed our Loan Program database, we never envisioned it to be a bookkeeping tool. We simply wanted data on each loan and the dollar amount of each improvement for reporting purposes. State auditor's looked at the database during an annual audit and decided it was essentially a subsidiary ledger and that it should be audited as a major program on an ongoing basis.

What is the public's response?
The public remains overwhelming receptive to this low-cost financing program. The Loans have stimulated the economy, improved communities, the housing stock and businesses.But, the most important thing is that it has reduced energy consumption and utility costs for more than 25,600 Nebraskans. The demand for energy loans remains constant. Loan forms can be found on our website at www.neo.ne.gov.