

ALFALFA ELECTRIC COOPERATIVE, INC.
Cherokee, Oklahoma

POLICY NO. 705

ENERGY RESOURCES CONSERVATION LOAN

I. OBJECTIVE

- A. To provide a beneficial service to the membership and employees by enabling them to finance energy efficient retrofits and new installations with affordable interest loans.
- B. To enable Alfalfa Electric to effectively encourage the marketing of the use of high efficiency heat pump heating and cooling equipment thereby improving its overall load factor.

II. POLICY CONTENT

The provisions of this policy provide lending guidelines to insure the loans are processed in a consistent manner.

III. PROVISIONS

- A. Loans may be made at 0% interest rate for:
 - 1. Tier 1 Ground Source Heat Pump with a desuperheater required, Closed Loop with minimum EER of 16.1 and a COP of 3.3 or an Open Loop with minimum EER of 18.2 and a COP of 3.6. minimum EER of 16.1 and a COP of 3.3 or a minimum EER of 16.1 and a CoP of 3.3 or an Open Loop with minimum EER of 18.2 and a COP of 3.6.
 - 2. Tier 2 Ground Source Heat Pump with a desuperheater required, Closed Loop with minimum EER of 18.5 and a COP of 3.6 or an Open Loop With minimum EER of 20.2 and a COP of 4.0.
- B. Loans may be made at a 7.5% interest rate for:
 - 1. High efficiency heat pump or
 - 2. Ceiling, wall and floor insulation
 - 3. Storm or replacement windows
 - 4. Caulking, weather-stripping and other infiltration controls
 - 5. Attic ventilation systems
- C. Loans may be made at a 9% interest rate for:
 - 1. Other high efficiency heating and cooling systems
 - 2. Stand-by generators
- D. Structural Loan Requirements
 - 1. Loan proceeds must be used for permanent residences and/or commercial businesses that are or will be occupied during the entire calendar year.

2. Loan proceeds may not be used for rental property except and unless the loan is carried by the owner and a first mortgage of the property is available as collateral or an equally valued property or monetary account is used as collateral.
3. Only residences or businesses on permanent foundations are eligible for lending.
 - a. Loans will not be made on mobile homes, both single wide or doublewide, unless axles and wheels have been removed and the structure is permanently attached to a non-movable foundation.
4. Loans will be made for retrofit of existing structures or additions to existing structures, and qualifying HVAC equipment on new construction.

E. Borrower Requirements

1. Borrower must own sufficient equity in the home or business to fully indemnify the amount of the loan, or
2. Borrower must own a separate parcel of land or home site on which a first mortgage may be obtained, or
3. Borrower must have sufficient cash savings and be willing to purchase a long-term certificate of deposit co-signed by an executive officer of Alfalfa Electric in the amount of the loan, to expire not before the final installment of the ERC loan. All interest earned with the CD during the tenure of the loan will remain with the borrower, or
4. Borrower may obtain an irrevocable letter of credit (fee for such absorbed by borrower) from an accredited lending institution such as a bank or employee credit union. Said letter of credit will fully indemnify any outstanding dollar amounts of the ERC loan, or
5. Borrower will have a very satisfactory credit report from the local credit bureau, a good credit record with Alfalfa Electric Cooperative, Inc. and adequate cash flow to meet all of their credit requirements including the payment amount, or
6. If none of the above requirements can be satisfied, Board approval must be sought, regardless of the loan amount.

F. Loan Limits

1. Minimum ERC loan will be \$1,500.00
 - a. All loans of \$1,500.00 up to \$4,000.00 must be repaid in equal monthly installments within a period of five years or less.
2. Maximum ERC loan will be \$15,000.00
 - a. Loans in excess of \$4,000.00 may be carried for up to but not exceeding seven years.
3. All requests for loans in excess of \$15,000.00 shall be submitted to the Board for pre-approval.

- G. Submittals
 - 1. All loan requests must be accompanied by a final contractor bid for such work to be done.
- H. Initial member contact and all preliminary lending procedures will be conducted by appropriate Alfalfa Electric personnel.
 - 1. Personnel will obtain pertinent information from member relating financial status of same.
 - 2. Personnel will verify all member records required for final approval: credit report, mortgage records, job status, financial statement, etc. (if required).
- I. Final approval will be made by the General Manager on all ERC loans of \$15,000.00 or less.
- J. Board of Trustee approval must be sought on all loans exceeding \$15,000.00
- K. Upon loan approval and subsequent completion of work, a check will be written by Alfalfa Electric Cooperative, Inc. to the contractor completing the work, or if the member shows proof that the contractor has been paid, to the member.
- L. In the event multiple contractors are involved, sufficient proof must be obtained from the contractor that payments have been received and property is free and clear of encumbrances.
- M. On all loans in excess of \$1,500, the Cooperative will file a UCC-1 fixture lien on all fixtures and labor costs. This filing will include the legal description and be filed in the appropriate county.

IV. RESPONSIBILITY

The General Manager and the Manager of Office Services shall be responsible for the administration of this policy.

Attested: s/ _____
Secretary, Dennis Ferrell

Previous Revision Date: September 28, 2010
Revised Effective Date: November 27, 2012