



# National Energy Improvement Fund

The ins and outs of prefunding & deferred payment options

NEIF is currently contracted by Atlantic City Electric for T2 to provide the 0% financing program.

**Go Greener. Affordably.**

# What is Prefunding (aka precommence)?

Prefunding locks in the loan before work begins; 50% of the financed amount is paid to contractors upon loan doc signature; customer repayment starts 30 days after funding.

Prefunding is extremely **COMMON** and is a **beneficial tool** for all parties

NEIF prefunds **MOST** commercial financing transactions

# Atlantic City Electric Commercial Energy Efficiency Financing

## DIRECT INSTALL

1.

**Requesting for Prefunding**— The contractor or customer must request prefunding on the NEIF credit application. Prefunding is approved on a project-by-project basis. NEIF prefunds 50% of the financed amount. Prefunding locks in the customer's loan. Any change orders are best handled via cash between the contractor and the customer.

2.

**Contractor Agreements**— The contractor must be NEIF-Approved for all applications and must sign the NEIF Prefunding Agreement, which supplements the standard NEIF Contractor Agreement.

3.

**Application Approval & Initial Verification**— Once the application is approved and TRC completes the first verification (after the program has pre-approved the incentive), NEIF will issue an approval package along with the closing documents. These documents will include the customer's Prefunding Addendum.

4.

**Closing Documents & Initial Funding**— Upon customer execution of their loan closing documents and all required documentation is received (prefunding invoice, etc.), NEIF will release 50% of the financed amount to the contractor. The customer's repayment will begin 30 days after funds are released.

5.

**Installation & Final Verification**— The contractor proceeds with installation and notifies NEIF when the project is complete. TRC then performs a second verification after the program fully completes its close-out process.

6.

**Final Funding Release**— Once the final verification is complete and NEIF has received all necessary close out documentation, the remaining funds will be released to the contractor.

# The BENEFITS of prefunding!

## 1. Get paid sooner!

- With extended equipment lead times and program compliance, contractors may not be paid for **months**.
- Use prefunding to help pay for equipment and other up-front costs.

## 2. Eliminate risk of rising rates & credit re-approval

- NEIF credit approval only lasts for 60 - 90 days. NEIF must extend approval every 60 - 90 days to keep deals active. While the risk is minimal, there is no guarantee.

## 3. Less administrative work for all parties, notably:

- Customer:
  - If deals extend past 6 months after signing closing documents, customer will have to sign entirely new doc package.
  - Customer must sign addendums
- NEIF-Approved Contractor and NEIF:
  - Decrease overall administrative and sales team's time spent on customer follow up, credit extensions, addendums, etc.

# Common Objections to Prefunding

## Change Orders

- Once a financing agreement has commenced, the financed amount is considered locked.
- How to handle change orders/price changes?
  - **Small change orders:** Must be handled via an independent transaction between the contractor and the customer.
  - **Large change orders** may request a separate financing approval/financing agreement with NEIF, subject to credit review and approval

## Communication is key!

- So long as your customer understands how change orders will be handled...
  - **NEIF has had little to no difficulty** dealing with change orders on prefunded deals.

# Program Disclaimer

## When working in a subsidized rate program

- In the event the contractor or project loses eligibility to participate in the utility-sponsored subsidized rate program prior to the project satisfying post-inspection requirements, contractor funding will be reduced by the amount of the cost of the interest rate buydown.

## Any Questions? We'd love to hear from you!



### Your primary point of contact

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### Important Links

- NEIF Website: [www.neifund.org](http://www.neifund.org)
- Financing Application: [commercial.neifund.org/apply](http://commercial.neifund.org/apply)