



# CHEEF

CALIFORNIA HUB FOR  
ENERGY EFFICIENCY FINANCING

ENERGY EFFICIENCY FINANCING PILOTS

# **QUARTERLY REPORT & PROGRAM STATUS SUMMARY**

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FIRST QUARTER 2020

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*For the purpose of easing readability of this report, "the Hub" and "CHEEF" are used interchangeably as abbreviations of the California Hub for Energy Efficiency Financing.*

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## The State of California has ambitious goals to reduce greenhouse gas emissions and address climate change.

In 2006, the Legislature passed the California Global Warming Solutions Act (Assembly Bill 32), which created a comprehensive, multi-year program to reduce greenhouse gas (GHG) emissions in California. In the subsequent Scoping Plans, intended to describe the approach California will take to reduce GHGs, one of the primary methods identified is increasing efficiency in existing buildings.

With so many headlines about electric vehicles, rooftop solar and other renewables, it's easy to forget how important energy efficiency is to the GHG reduction mix. Billions of square feet of existing commercial and residential properties are in need of energy upgrades—both the structures and the appliances within them.

*There is simply not enough government or ratepayer funding to pay for these upgrades.*

With this awareness, the California Public Utilities Commission (CPUC) allocated funds to launch several financing pilot programs designed to attract private capital to finance energy efficiency upgrades.<sup>1</sup> In its decision, the CPUC acknowledged that energy efficiency (EE) measures are important tools for addressing greenhouse gas emissions, and that lowering the barriers to energy efficiency retrofits and financing—particularly in underserved market sectors—is critical to reaching the state's goals of reduced energy consumption and spreading benefits to all Californians.

### Background

The California Public Utilities Commission Decision 13-09-044 (D. 13-09-044) authorized a series of financing programs designed to attract private capital to finance energy efficiency upgrades and established the California Hub for Energy Efficiency Financing (Hub) to administer the new programs. The CPUC requested that the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) assume the administration of the Hub and directed the investor owned utilities (IOUs) and CPUC staff to assist CAEATFA with implementation.

A core feature of the new financing programs is to incentivize private finance companies to enter the energy efficiency market and improve terms or expand credit criteria for the financing of energy efficiency projects by providing a credit enhancement funded with IOU energy efficiency ratepayer funds. This credit enhancement helps remove the upfront cost barrier for Californians to undertake energy efficiency retrofits. A key objective is to test whether transitional ratepayer support for credit enhancements can lead to self-supporting energy efficiency finance programs in the future.

In a separate document<sup>2</sup>, the CPUC further clarified the goals under which the financing programs would be evaluated. The financing pilots should be scalable, be leveraged by private capital and able to support energy efficiency upgrades, reach underserved Californians who would not otherwise have participated in EE upgrades, and produce energy savings.

This report is prepared in response to D. 13-09-044, which directs CAEATFA, in conjunction with the IOUs (Pacific Gas & Electric [PG&E], Southern California Edison [SCE], San Diego Gas & Electric [SDG&E] and SoCalGas [SCG]), to issue quarterly reports on the progress of the Hub financing pilots. These reports contain quarter highlights and other informational items to keep interested parties informed as to the programs' challenges and successes.

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<sup>1</sup> Decision 13-09-044

<sup>2</sup> Resolution E-4900, published December 14, 2017

## Quarter Highlights – Q1 2020

### REEL Loan Interest Rates at Historic Lows

REEL loan interest rates have dropped to historic lows and now range between 3.48% and 9.38%. Despite the current crisis and the difficult path ahead, these rates will increase affordability for borrowers seeking financing through REEL.

### REEL Enrolls Over 50 New Loans, Surpasses \$11 Million in Total Financing

A total of 51 new REEL loans were enrolled in Q1 2020, representing \$979,461 in total loan volume. This brings REEL's total amount financed since program inception to \$11,412,559.

### CPUC Issues Draft Resolution to Support the REEL Program's Transition from Pilot to Program

On March 13, 2020, the CPUC released a draft resolution following the evaluation of the REEL Program, identifying the benefits of REEL and recommending its transition from a pilot to a full-scale program. A final resolution will be released by the CPUC following a comment period.

### SBF Offers Financing for Cannabis Operations

Alliance Funding Group (AFG), one of the SBF Program's three participating finance companies, will now support financing of up to \$100,000 in equipment leases for cannabis operations. Access to this capital will allow cannabis growers to establish business credit while investing in energy efficient equipment and practices.

### SBF Outreach Continues: TradePro Meeting and Project Developer Engagement

CAEATFA staff continued to promote the SBF Program to new audiences, including attendees of the SDG&E TradePro meeting on March 9. Staff also completed introductory calls with enrolled project developers to discuss how SBF could best serve their customers.

### Rulemaking Progress for SBF and AMF Programs

Staff continued work to complete the rulemaking processes for both the SBF and AMF Programs. The regulations for the SBF Program received approval from the Office of Administrative Law (OAL) and took effect on January 21, 2020. This formalized the program rules that were initially authorized under emergency regulations and completed the regular rulemaking process. Meanwhile, CAEATFA staff continued the rulemaking process for the AMF Program, holding a public hearing and comment period on proposed modifications in preparation of CAEATFA Board consideration and approval in Q2.

## CAEATFA and CHEEF Response to the COVID-19 Crisis

Like businesses and government agencies across California, the CAEATFA team was compelled to react quickly to the emergence of the COVID-19 crisis in March 2020, adapting operations to rapidly changing circumstances.

**All CHEEF programs remained fully operational and experienced no service interruptions or major changes due to COVID-19 during Q1.**

### Immediate Response

Following Gov. Gavin Newsom's March 19 statewide stay-at-home order, all CHEEF programs transitioned to remote processes, with most CAEATFA staff transitioning to remote work. Participating Lenders and Finance Companies in CHEEF programs implemented remote operations in addition to keeping local branches open for business. The CHEEF's external contractors, including the Master Servicer, Contractor Manager, Trustee Bank and Marketing Implementer, also established remote operations and continued serving the Programs as usual (for more information on Hub Infrastructure, see Appendix 2). Building contractors followed state and local health guidance as to their operations, as well as putting in place their own policies. While some halted operations for a period, others modified what services they would provide and many continued to be able to serve customers. The REEL Program began implementing virtual project inspections through Frontier Energy, the Contractor Manager, to remain compliant with public health guidelines.

Additionally, upon the recommendation of the Center for Sustainable Energy, the Marketing Implementer, the majority of marketing activities for CHEEF programs were paused on March 16. This decision was made concurrently with the IOUs' decision to pause its program marketing (as IOUs suspended non-essential customer visits) and with consideration paid to residents and small businesses experiencing the onset of a public health and economic crisis. While all proactive marketing activities, such as digital advertising, were paused for the foreseeable future, the Marketing Implementer maintained "paid search" functionality, which appears when customers enter specific web search terms related to REEL or SBF financing options (e.g., "HVAC financing"). This allowed customers actively seeking financing for energy efficiency upgrades or emergency replacements to find CHEEF programs.

### Impacts on Stakeholders and Outreach

While the CHEEF's financing programs remained operational and open for business, the COVID-19 crisis and economic shock presented, and continues to present, challenges. Customers face economic uncertainty and rising unemployment while sheltering in place. Building contractors are small businesses and have had to grapple with safety for their employees while facing varying drops in demand, depending on their industry. Finance companies face uncertain repayment streams as the severity of the economic crisis and federal stimulus remains unknown.

As REEL Lenders began enacting relief options such as payment deferrals for their credit union members, CHEEF staff confirmed that all participating Lenders would offer these to REEL borrowers as well. Staff also developed plans to survey enrolled Contractors on their business status early in the second quarter and began planning a COVID-19 update for customers on GoGreenFinancing.com. Finally, CHEEF staff is coordinating with the Marketing Implementer and IOUs to prepare to relaunch marketing for the Programs as the IOUs relaunch marketing for their programs.

### Next Steps and Projected Longer-Term Impacts

CAEATFA staff has begun research into the short- and long-term impacts of the COVID-19 crisis on public health and the economy and is considering potential program modifications in response.

As customers react to public health issues and the economic downturn, CHEEF staff expect to see a decrease in new energy retrofits in both the residential and commercial sectors, though emergency repairs and replacements may continue. As before the crisis, accessible, affordable financing for energy efficiency continues to represent a key pathway toward reaching the state's goals of reduced greenhouse gas emissions and energy consumption. Financing may become a more critical form of support for Californians staying home and placing increased demand on their existing HVAC systems, appliances, and other energy-consuming equipment.





REEL customer Juliana Maziarz in front of her Los Angeles home

## The Residential Energy Efficiency Loan (REEL) Assistance Program

Key REEL Metrics – Q1 2020 (January 1-March 31, 2020)

|                             |                                    |                                      |
|-----------------------------|------------------------------------|--------------------------------------|
| <b>51</b><br>New REEL Loans | <b>\$979,461</b><br>Loans Enrolled | <b>\$19,205</b><br>Average Loan Size |
|-----------------------------|------------------------------------|--------------------------------------|

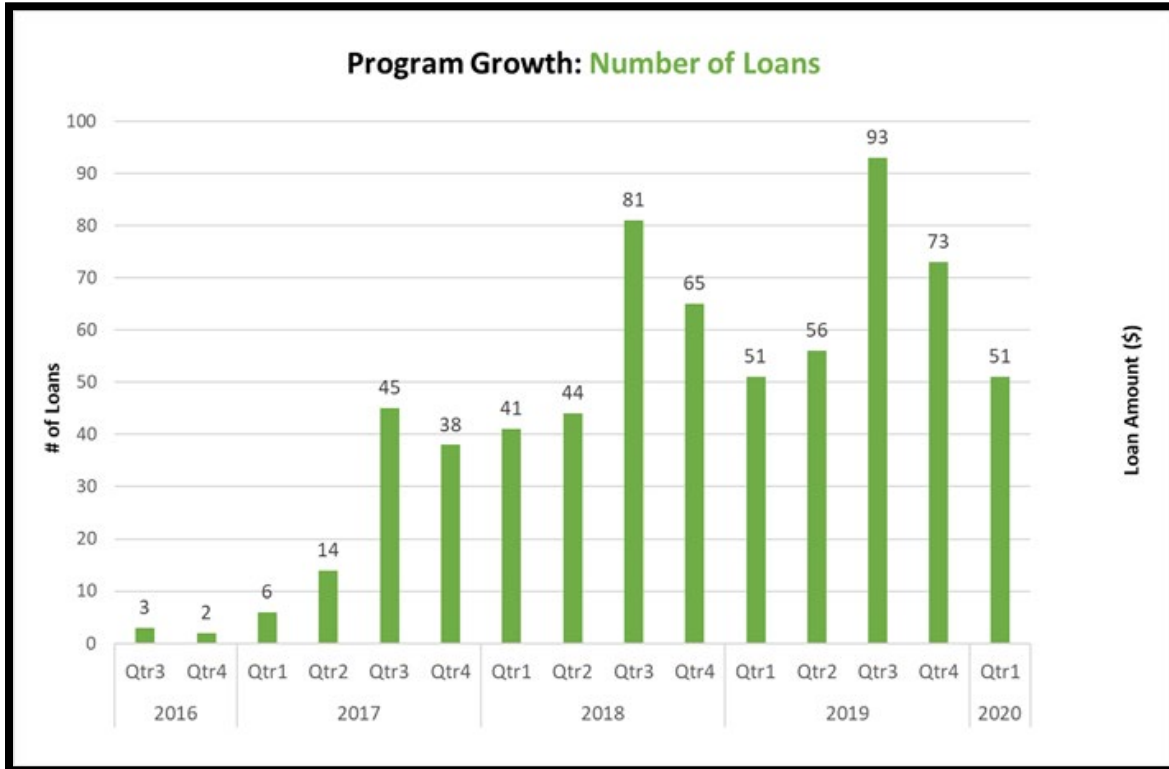
### Updates

The first quarter of 2020 proved to be both typical for REEL and highly irregular. On one hand, Program performance tracked closely with Q1 performance for previous years, reflecting a moderate seasonal dip before the return of warm weather. On the other hand, the quarter was starkly bifurcated, with pre-COVID-19 economic conditions and daily operations bearing little resemblance to those that followed the Governor’s March 19 statewide stay-at-home order. (To read about CAEATFA’s response to the crisis, see page 7.)

Nevertheless, likely because the crisis struck California relatively late in the quarter, and because the Hub measures REEL performance by loan enrollment (which takes place after measures have been installed), Program metrics for Q1 2020 did not suffer noticeably due to the stay-at-home order. During the quarter, REEL enrolled 51 loans totaling \$979,461, with an average loan amount of \$19,205. The program successfully reached underserved borrowers. 61% of projects were located in Low-to-Moderate-Income (LMI) census tracts, and 22% of residences where REEL projects were completed in Q1 were located in disadvantaged communities (DAC) as designated by CalEnviroScreen. This compares favorably with data from the Program’s history; in Q1 2019, 51 loans were enrolled for a total of more than \$915,000 financed.

The quarter’s activity brought the Program-to-date totals to 663 loans with \$11,412,559 financed. The charts below illustrate REEL’s growth over time and seasonal fluctuations in number of loans enrolled since the Program launched in July 2016.

**Table 1. REEL Loan Growth Since Program Inception**



Interest rates for the Program reached historic lows in Q1 (see Enrolled REEL Lender Product Features on page 33) as the Federal Reserve lowered interest rates. By March 31, REEL rates ranged from 3.48% to 9.38%, with further reductions poised to take effect in early Q2. The two statewide lenders and one regional lender lowered rates during Q1; one statewide lender reduced rates twice to remain competitive within the Program. Five of the seven lenders enrolled projects during the quarter. The table below shows the breakdown of loans enrolled by lender.

**Table 2. REEL Loans Enrolled by Lender – Q1 2020**

| Lender                                | Loans Enrolled | Claim-Eligible Principal |
|---------------------------------------|----------------|--------------------------|
| California Coast Credit Union         | 22             | \$442,223                |
| Desert Valleys Federal Credit Union   | 3              | \$63,559                 |
| Eagle Community Credit Union          | 0              | \$0                      |
| First US Community Credit Union       | 8              | \$125,312                |
| Matadors Community Credit Union       | 14             | \$304,271                |
| Pasadena Service Federal Credit Union | 0              | \$0                      |
| Valley Oak Credit Union               | 4              | \$44,097                 |
|                                       | <b>51</b>      | <b>\$979,462</b>         |

As is typical for the Program, the most popular measures in Q1 2020 were HVAC equipment, building envelope measures and water heaters. The vast majority (90%) of projects were finance-only, meaning neither customer nor contractor sought a rebate during a project.

**Table 3. Top 3 REEL Measure Types Installed – Q1 2020**

|  |   |   |
|--|---|---|
| <p><b>HVAC: 34</b></p>  <p>Equipment and ductwork</p> | <p><b>BUILDING ENVELOPE: 28</b></p>  <p>Air sealing, insulation, cool roofs, windows, etc.</p> | <p><b>WATER HEATING: 5</b></p>  <p>Water heaters and low-flow fixtures</p> |
|--|---|---|

**REEL Program EM&V Process and Draft Resolution**

The REEL Program evaluation, measurement and verification (EM&V) process, conducted by Opinion Dynamics Corporation on behalf of the CPUC, continued during Q1 2020. [The final report](#) was released in January 2020 upon completion of a review and comment period. The final report identified several key findings, including:

- Of the 212 REEL projects analyzed, a gross total of **157,081 kWh and 2,321 therms were saved annually**. This translates to an average of 2.03 kWh saved per participant per day.
- 71% of REEL borrowers surveyed believed that if they had qualified for other types of financing, it would have been less affordable and/or with a higher payment than what they financed through REEL.
- 67% of REEL borrowers surveyed noticed a decrease in their monthly utility bill following installation of their REEL project, and 84% of these respondents directly credited the savings to their home upgrade.

On March 13, 2020, the CPUC released a draft resolution on the disposition of the REEL Program based on the final EM&V report. This draft resolution recommends the transition of REEL from a pilot to a full program, as well as CAEATFA’s continuation as the Program’s administrator. The CPUC will release a final Resolution on the status of the Program following a comment period.

**Outreach**

As with Program performance, outreach to consumers and REEL partners underwent a marked operational shift as a result of the COVID-19 pandemic. Nevertheless, metrics for the quarter remained fairly robust.



*REEL digital ad in circulation during Q1 2020*

**GoGreenFinancing.com** — On the recommendation of the Center for Sustainable Energy (CSE), the Marketing Implementer, and with Hub staff’s approval, all print and digital marketing campaigns for Hub programs were paused on March 16. CHEEF and CSE staff reached this decision upon considering customers’ changing priorities and immediate health and economic concerns amid the unfolding crisis. CSE and CHEEF staff determined that, while potential customers grappled with pressing issues like sheltering in place, business closures, and rising

infection rates, it was inappropriate to continue marketing energy efficiency upgrades on a statewide scale. This decision was inspired in part by the actions of the IOUs, who also chose to pause program marketing as the crisis emerged. Following the pause of marketing efforts, traffic to GoGreenFinancing.com dropped sharply, but even so, users on GoGreenFinancing.com totaled 70,000 for Q1 2020 (compared with 76,000 in Q4 2019), resulting in 527 referrals to REEL lenders.

**IOU Outreach to Customers** — Like the Hub and CSE, the IOUs responded to the COVID-19 crisis in mid-March by suspending REEL and other program marketing campaigns, shifting focus to advertising of direct financial assistance programs for customers.

Prior to the marketing pause, SCG included an energy efficiency financing message on outgoing bill envelopes to 3 million customers in both January and February. In early March, a PG&E Energy Advisor e-newsletter featuring REEL went to more than 3 million customers and brought over 10,000 visitors to the GoGreen Financing website.

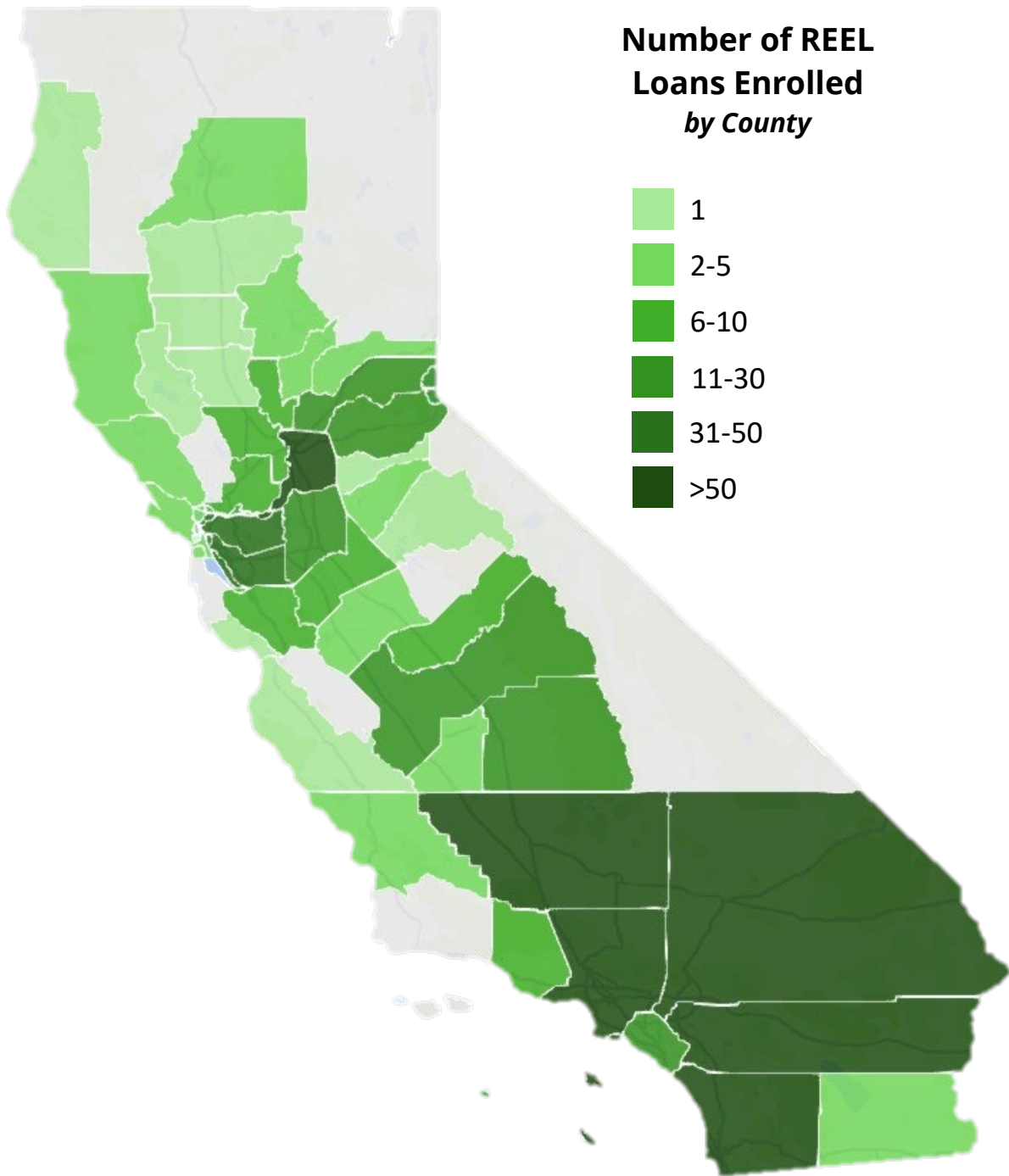


**Contractor Outreach** — Frontier Energy, the Contractor Manager under the Hub, continued its outreach to potential and enrolled REEL Contractors via email newsletters throughout the first quarter. Additionally, at the end of March, the Contractor Manager developed plans to assess the impact of the COVID-19 crisis on contractor operations and business prospects. The Contractor Manager will collect information that will help inform how the CHEEF can support these small businesses during this time.

A total of 31 new contractors enrolled in the REEL Program during Q1, compared with 34 in the previous quarter. By March 31, borrowers could choose from 418 contractors statewide. Currently, 99.6% of Californians reside in a county with an enrolled REEL contractor.

### Map of Enrolled REEL Loans by County

The map below shows the number of REEL loans enrolled, by county, from the start of the program through the end of Q1 2020.



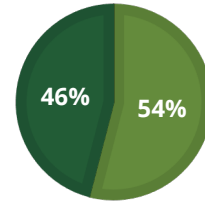
# REEL Portfolio Facts and Figures

(Program Inception – Q1 20)

**\$11,412,559**  
Total Amount Financed

**663**  
Total Loans Enrolled

## Percentage of Loans Made to Borrowers in LMI Census Tracts<sup>3</sup>



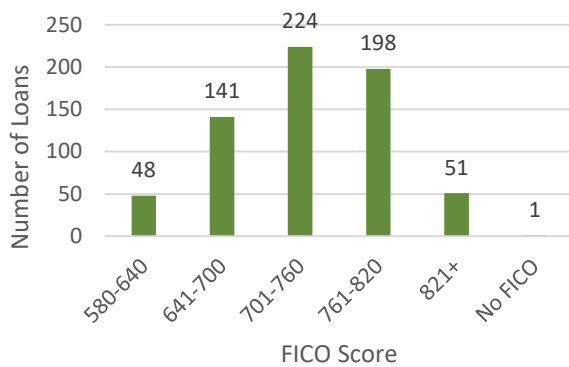
■ LMI ■ > 120% LMI

**\$1,681,598**  
Total Loan Loss Reserve Contributions

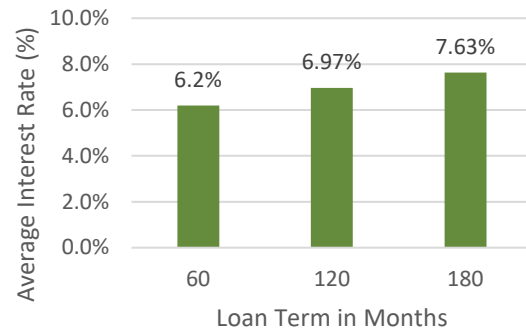
**80%** **Finance-Only Projects**  
*Cases in which borrower made upgrades using REEL without a rebate or incentive*

## REEL Borrower Data

### REEL Borrower Credit Scores

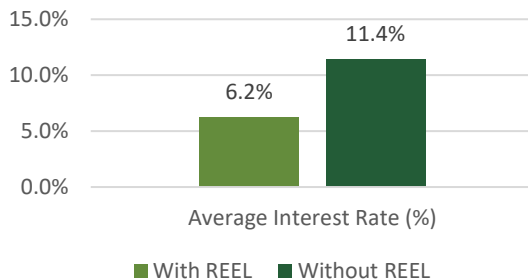


### REEL Average Interest Rate by Term Length

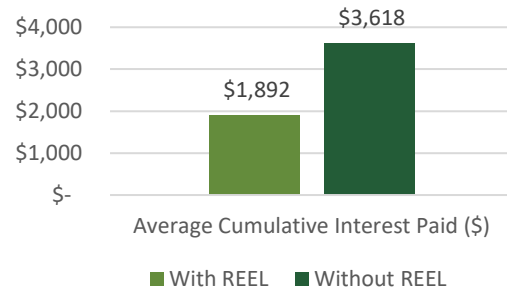


## Financing Comparison: Borrower Outcomes With vs. Without REEL

### Average Interest Rate for terms up to 60 months<sup>4</sup>



### Cumulative Average Interest Paid for terms up to 60 months<sup>4</sup>



<sup>3</sup> Low-to-Moderate Income (LMI) census tracts are those with median family incomes <120% of Area Median Income.

<sup>4</sup> These charts compare interest rates between REEL loans and the equivalent non-REEL signature loan products offered by the Program's participating lenders, using a data set for loans with terms up to 60 months for borrowers who would have qualified for non-REEL loans.

REEL Loan Portfolio Report

**Table 4. Summary of REEL Loans with Status of Paid in Full, Current or Past Due through March 31, 2020**

|                                       | Number of Loans | Original Claim-Eligible <sup>5</sup> Funded Amount | Claim-Eligible Outstanding Amount |
|---------------------------------------|-----------------|--|-----------------------------------|
| <b>Paid in Full</b>                   | <b>95</b>       | <b>\$1,469,269</b>                                 | <b>\$0</b>                        |
| California Coast Credit Union         | 57              | \$863,399  | \$0                               |
| Desert Valleys Federal Credit Union   | 3               | \$23,701   | \$0                               |
| Eagle Community Credit Union          | 1               | \$21,193   | \$0                               |
| First US Community Credit Union       | 1               | \$8,436  | \$0                               |
| Matadors Community Credit Union       | 33              | \$552,541  | \$0                               |
| <b>Current</b>                        | <b>555</b>      | <b>\$9,669,007</b>                                 | <b>\$8,473,680</b>                |
| California Coast Credit Union         | 298             | \$4,905,322  | \$4,243,591                       |
| Desert Valleys Federal Credit Union   | 15              | \$301,574  | \$256,987                         |
| Eagle Community Credit Union          | 8               | \$139,275  | \$112,727                         |
| First US Community Credit Union       | 31              | \$443,706  | \$411,281                         |
| Matadors Community Credit Union       | 184             | \$3,621,187  | \$3,224,424                       |
| Pasadena Service Federal Credit Union | 2               | \$45,824   | \$43,716                          |
| Valley Oak Credit Union               | 17              | \$212,119  | \$180,954                         |
| <b>30 Days Past Due</b>               | <b>2</b>        | <b>\$23,675</b>                                    | <b>\$17,284</b>                   |
| Matadors Community Credit Union       | 2               | \$23,675   | \$17,284                          |
| <b>Total</b>                          | <b>652</b>      | <b>\$11,161,951</b>                                | <b>\$8,490,965</b>                |

**Table 5. Summary of REEL Charge-Offs, Claims Paid and Recoveries through March 31, 2020**

|   | Number of Loans | Total Charge-Off Amount | Claims Paid <sup>6</sup> | Recoveries        |
|---|-----------------|-------------------------|--------------------------|-------------------|
| <b>Charged Off</b>  | <b>11</b>       | <b>\$237,233</b>        | <b>\$213,509</b>         | <b>(\$20,691)</b> |
| California Coast Credit Union   | 10              | \$225,652               | \$203,086                | (\$20,691)        |
| First US Community Credit Union   | 1               | \$11,581                | \$10,423                 | \$0               |
| <b>Net Credit Enhancement Funds Expended (claims paid minus recoveries)</b> |                 |                         |                          | <b>\$192,818</b>  |

<sup>5</sup> Loans issued through the REEL Program must meet specific criteria in order to receive a claim payment from the loss reserve in the event of a charge-off. REEL lenders may, at their discretion, issue loans through the REEL Program containing elements that are not claim-eligible. The claim-eligible principal differs from the total loan amount in these cases.

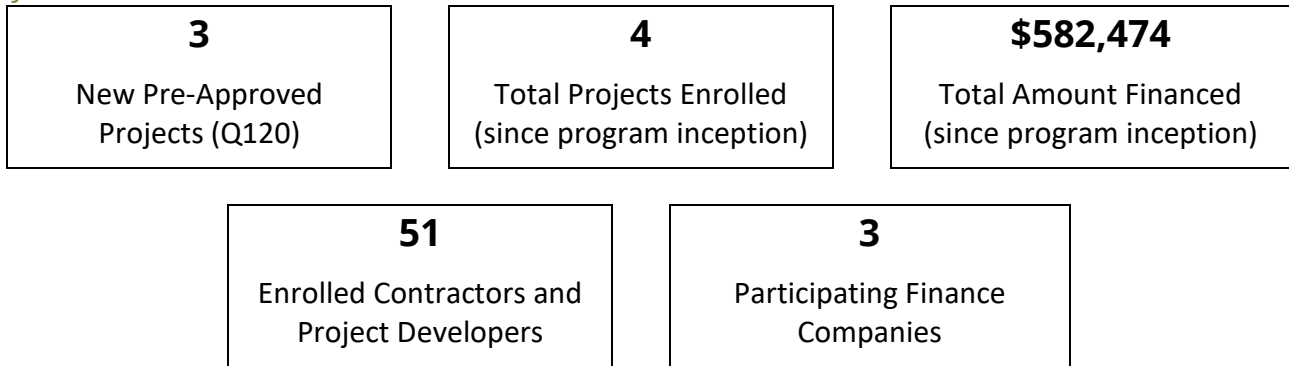
<sup>6</sup> Through REEL, participating lenders may submit a claim for reimbursement for up to 90% of a charge-off of the outstanding Claim-Eligible Principal Amount. The Claims Paid data point reflects the amount that REEL Lenders were paid on the claim.



Image from GoGreen Financing digital campaign

## Small Business Energy Efficiency Financing (SBF) Program

### Key SBF Metrics



### Project Enrollment Update

The SBF Program continues to gain traction as a new program. One new project was enrolled and three projects were pre-approved in Q1 2020, bringing the total number of SBF projects completed or underway to eight. The Program’s participating Finance Companies enhanced their product offerings, and CHEEF staff undertook new outreach initiatives to increase public awareness of the Program.

The enrolled finance agreement in Q1 financed \$144,573 for a building envelope retrofit and remodel in Los Angeles County. The three new projects pre-approved in Q1 are worth a combined total of \$86,778 in financing and were initiated by businesses in Los Angeles, San Bernardino, and Riverside counties. These projects will include installation of lighting and HVAC measures.

**Table 6. SBF Finance Agreement Status by Lender as of March 31, 2020**

|  | Finance Agreements Enrolled | Total Amount Financed |
|--|-----------------------------|-----------------------|
| <b>Alliance Funding Group</b>          | 0                           | \$0                   |
| <b>Ascentium Capital</b>               | 2                           | \$317,073             |
| <b>DLL Financial Solutions Partner</b> | 2                           | \$265,401             |

### Progress

Two of SBF’s participating Finance Companies expanded their product offerings in Q1. Ascentium Capital increased its maximum financing amount to \$2 million per agreement, and Alliance Funding Group (AFG) modified its SBF product features to offer financing for cannabis grow operations. This financing will provide up to \$100,000 per project for equipment leases, thus creating an opportunity for cannabis growing companies to



invest in energy-saving measures without an established credit history. Work also continued on the Program's Project Platform, including testing and procedure development.

### Outreach

**GoGreenFinancing.com** — Prior to the pause of all customer marketing efforts on March 18 due to COVID-19, SBF achieved its greatest digital performance to date this quarter. The SBF Program landing page on GoGreenFinancing.com received over 37,000 visits in Q1. This traffic was primarily driven by IOU marketing efforts, including a targeted SBF social media campaign led by SCE (see below) and digital advertising and email distributions from the Marketing Implementer.

A significant update was made to the SBF contractor-facing information on GoGreenFinancing.com in February. The new update included a list of program tools and resources and clearer information on enrollment and available financing.



**Affordable financing  
to make your  
business more  
energy efficient**

**gogreen**  
FINANCING™

**Discover energy savings**  
**GoGreenFinancing.com**

*SBF digital ad in circulation in Q1 2020*

**IOU Outreach to Customers** — The majority of traffic to the SBF Program landing page in Q1 was driven by a social media campaign led by SCE. This campaign drove more than 22,000 visitors to the page over the first two weeks of March, before being paused early due to increasing concerns about COVID-19. Future IOU marketing campaigns for SBF will be considered when normal marketing resumes. Staff also worked in tandem with the IOUs to develop collateral that compares SBF with the utility-offered On-Bill Financing (OBF), which is expected to be completed in Q2 and made available to utility customers and contractors.

**Contractor and Finance Company Outreach** — Just before the emergence of the COVID-19 crisis, CHEEF staff delivered a presentation at the SDG&E TradePro meeting on March 9. Additional communication with

Contractors and Finance Companies transitioned to virtual interactions from there and are expected to proceed as such for the foreseeable future.

The Contractor Manager continued outreach to potential and enrolled SBF Contractors and Project Developers via monthly email newsletters. A newsletter distributed in late March focused on COVID-19, and future newsletters will include updated crisis-related information relevant to enrolled Contractors. The Contractor Manager has planned outreach in early Q2 to enrolled Contractors and Project Developers to assess the impacts of the COVID and economic crises on their business. Additionally, CHEEF staff worked towards launching a new quarterly newsletter for prospective Project Developers and Finance Companies, which is expected to be distributed early in Q2 2020.

**Channel Partner Outreach** — Many outreach opportunities planned for Q1 2020 were adjusted, postponed, or cancelled as the COVID-19 crisis emerged and Californians responded to its impact on their life, businesses, and industries. Staff had anticipated participating in several local conferences through the month of March, including the CALED Annual Training Conference and the California Dairy Sustainability Summit, and will follow up with conference organizers as the events are rescheduled. As many events begin transitioning to virtual formats, Hub staff plan to ramp up these external outreach efforts again in Q2.

### Rulemaking

In Q4 2019, CAEATFA staff completed much of the formal regulatory process that codified the program's rules, which were first established under an emergency rulemaking process followed by the longer regular rulemaking process. After CAEATFA's timely submission of the Certificate of Compliance and all corresponding documents to the Office of Administrative Law (OAL), the regular rulemaking was approved and filed with the California Secretary of State on January 21, 2020.



*Image from GoGreen Financing digital campaign*

## **Affordable Multifamily Energy Efficiency Financing (AMF) Program**

### **Progress**

In Q1 2020, CHEEF staff focused on outreach to potential AMF customers and program partners. Staff also continued its work toward completing the regular rulemaking and public engagement processes.

During the quarter, before the COVID-19 crisis developed, staff planned to attend conferences over the course of the year in order to connect with leaders in the affordable multifamily housing sector and build upon efforts to develop a pipeline of projects under the program. However, all 2020 in-person conferences had been cancelled as of the end of Q1. As the crisis developed, staff reached out to Program stakeholders to ensure open communication and consistent messaging and will continue engaging with stakeholders remotely.

The AMF Program currently offers energy service agreements of \$250,000-\$10 million through Renew Energy Partners. Looking ahead, Hub staff aim to enroll a Finance Company that will provide a lease or financing product with a lower dollar minimum, with the understanding that this may open the door to new projects and that AMF customers would benefit from a choice of finance providers.

### **Rulemaking**

During Q1, CAEATFA staff embarked on a public stakeholder engagement process, gathered public input on proposed AMF regulations, and assembled the regular rulemaking packet in preparation for CAEATFA Board consideration in April 2020. Early in the quarter, staff submitted the second and final readoption of AMF regulations developed under the emergency rulemaking process, which allows development of program regulations in a shorter time period, and received approval from OAL. This will ensure program continuity while the regular rulemaking process is completed.

*For information about AMF program structure and eligibility, see Appendix 1.*



*Photo by Allyunion at English Wikipedia*

## Nonresidential Program

The Nonresidential Program is not being actively developed at this time. Launch of the Nonresidential Program is dependent upon the development of On-Bill Repayment (OBR), a complex feature which is moving toward implementation. CPUC Decision 17-03-026 required all pilots to be launched by the end of 2019, and since OBR will not be developed until mid-2020, CAEATFA staff made the decision in 2019 to direct resources to the SBF and AMF Programs.

In the event that CAEATFA is authorized to develop the Nonresidential Program in the future, prior work can be leveraged to ultimately establish this program. While developing the SBF Program design and regulations, CAEATFA staff anticipated how the Nonresidential Program would be incorporated into the Hub's offerings.

## On-Bill Repayment

On-Bill Repayment (OBR) functionality will allow borrowers to repay energy efficiency financing through their utility bills, a convenience that many consumers find attractive. The CPUC considers OBR functionality to be a critical component of the Hub programs due to its potential for encouraging program uptake and reducing default rates. SBF, AMF, and the Nonresidential Program (should it be developed) will include OBR as a key feature.

During Q1, CHEEF staff continued work with the Master Servicer to establish a secure OBR infrastructure. In January, staff met with the Master Servicer in Phoenix to continue evaluation of the newly-developed secure cash flow technical solution, which is used to track and process customer payments from the IOUs to the Finance Companies. Review of the secure cash flow solution involved a holistic OBR system integration, including aspects of the Data Exchange Protocol and improvements to lender report file specifications.

Hub staff also began more significant development on the regulatory framework for OBR functionality. This task necessitates working closely with the IOUs, so staff met in-person in early March with finance and legal teams from the IOUs to coordinate statewide OBR tariff language. Development continues on the regulatory environment governing ratepayer and stakeholder participation in OBR. Staff expect to launch OBR functionality in the second half of 2020.

CAEATFA is closely monitoring the impact of COVID-19 on the launch of OBR, and the OBR timeline will be adjusted as needed in response to the long-term effects of the pandemic.

# Appendices

## Appendix 1: Program Structures and Eligibility Requirements

### REEL

The Residential Energy Efficiency Loan (REEL) Assistance Program provides attractive financing to owners and renters of existing residential properties who select from a broad list of energy efficiency measures intended to reduce energy consumption. Customers may upgrade a single-family home, townhome, condo, duplex, triplex, fourplex or manufactured home. Renovations for up to four units can be bundled into the same loan.

As with all Hub programs, eligibility requires that the property receive electric or natural gas service from at least one of the IOUs: PG&E®, SDG&E®, SCE® or SoCalGas®. Properties in areas served by community choice aggregators (CCAs) or electric service providers (ESPs) qualify. Those in areas served by publicly owned utilities (POUs) qualify only if they also receive energy service from an IOU (for example, electricity from the Sacramento Municipal Utility District and natural gas from PG&E). For financing to be considered “claim-eligible” in the case of a default, 70% of that financing must be used to fund the installation of measures that use the type of energy that the IOU delivers.

REEL lenders receive a credit enhancement of 11% of the claim eligible amount, or 20% if the borrower is considered underserved. CAEATFA defines underserved borrowers as those who meet at least one of the following criteria:

- **Residence in a Low-to-Moderate Income (LMI) Census Tract** – Area Median Income (AMI) of the borrower’s census tract does not exceed 120% of the AMI for the Metropolitan Area, County, or State. To make this determination, CAEATFA selected the existing geocoding tool administered by the Federal Financial Institutions Examination Council (FFIEC) Geocoding System.
- **Low-to-Moderate Household Income** – Borrower’s household income is at or below the current annual income limits as determined by the California Department of Housing & Community Development and accounting for county of residence and family size.
- **Credit-Challenged** – A borrower whose credit score is less than 640 (if the lender has opted in to the Credit-Challenged facility by demonstrating additional benefits to credit-challenged borrowers).

REEL Program regulations may be viewed on [the CAEATFA website](#).

### SBF

The Small Business Energy Efficiency Financing (SBF) Program emergency regulations were approved by the Office of Administrative Law (OAL) and went into effect on Dec. 17, 2018, and the regular rulemaking process was completed on Jan. 21, 2020.

The SBF Program seeks to:

1. Provide a state-backed financing program designed to address the energy efficiency challenges faced by small business owners and tenants
2. Provide accessible and attractive financing options for small businesses
3. Provide a source of financing that allows deep energy retrofits in existing buildings

Financing through the Program is available to small businesses, nonprofits and market rate multifamily properties (5 or more units) that meet at least one of the following business size requirements:

- Employ 100 or fewer individuals
- Have annual revenue of less than \$15 million
- Meet SBA size classifications (annual revenue limits up to \$41.5 million, depending on industry)

SBF is available to both small business property owners and tenants.

To best accommodate the small business energy efficiency market, the Program facilitates a variety of financing instruments for potential customers to consider, including loans, equipment leases, service agreements and savings-based payment agreements; each participating Finance Company offers products from this menu of authorized instruments. Small business owners may take out loans of up to \$5 million. Up to \$1 million of the financed amount is eligible to receive a credit enhancement for qualifying measures, as follows:

- The first \$50,000 of claim-eligible financing will be credit enhanced at 20%
- Remainder (up to an additional \$950,000) will be credit enhanced at 5%
- Maximum loss reserve contribution per agreement will be \$57,500

As with all Hub Programs, eligibility requires that the property receive electric or natural gas service from at least one of the IOUs: PG&E®, SDG&E®, SCE® or SoCalGas®. Properties in areas served by community choice aggregators (CCAs) or electric service providers (ESPs) located within IOU territories qualify. Those in areas served by publicly owned utilities (POUs) qualify only if they also receive energy service from an IOU.

There are three methods of project qualification for the SBF Program:

1. The Program has published a searchable and downloadable list of pre-qualified energy saving measures (ESMs). Measures on the ESM list can be financed without any additional approval.
2. Any measure approved by an IOU, REN, or CCA custom incentive program for the property within the last 24 months is eligible.
3. For any measures that are not listed on the ESM list or tied to a custom incentive program, an Energy Professional can certify that the installation of the measure will result in energy savings compared to existing conditions. For the SBF Program, an eligible Energy Professional is a California licensed Professional Engineer (PE) or an Association of Energy Engineers Certified Energy Manager (CEM).

SBF Program regulations may be viewed on [the CAEATFA website](#).

### AMF

The Affordable Multifamily Financing (AMF) Program emergency regulations were approved by the CAEATFA Board on April 16, 2019 and enacted on May 9, 2019. CAEATFA staff is currently proposing modifications to these regulations and expects to present them to the CAEATFA Board in Q2 2020.

The Affordable Multifamily Energy Efficiency (AMF) Program seeks to facilitate energy efficiency retrofits in multifamily properties of five or more units where at least 50% of the units are income-restricted at low to moderate (80-120% of area median income). To be eligible, properties must remain affordable for at least five years.

The AMF Program will fund any energy efficiency or demand response measure approved for rebate and incentive by any IOU, REN or CCA, as well as any measure from the Energy Saving Measures list developed for use in the SBF Program. In-unit as well as common area measures are eligible. Up to 30% of the financed amount may fund non-energy efficiency improvements; solar photovoltaic and distributed generation may be financed but will not receive a credit enhancement.

Key AMF Program features include:

- No minimum or maximum financing size
- The first \$1 million of each financed project will be credit enhanced at 15% of the claim-eligible amount
- Fixed or variable rates allowed

- No underwriting requirements imposed on the Finance Company; underwriting is based on participating Finance Company requirements
- Designed to integrate with existing affordable multifamily housing energy programs such as the Low-Income Weatherization Program (LIWP) and Solar On Multifamily Affordable Homes (SOMAH)

Like the SBF Program, the AMF Program supports traditional loans and leases as well as innovative financing products such as energy service agreements and savings-based payment agreements.

As with all Hub Programs, eligibility requires that the property receive electric or natural gas service from at least one of the IOUs: PG&E®, SDG&E®, SCE® or SoCalGas®. Properties in areas served by community choice aggregators (CCAs) or electric service providers (ESPs) located within IOU territories qualify. Those in areas served by publicly owned utilities (POUs) qualify only if they also receive energy service from an IOU.

AMF Program regulations may be viewed on [the CAEATFA website](#).

### **Nonresidential**

Like all the Hub financing programs, the Nonresidential Program is intended to encourage growth in private market lending, in this case for public and large commercial buildings. Though a credit enhancement will not be provided, the Program will be designed to provide financing, which will be repaid on the utility bill, for building energy efficiency, distributed generation, battery storage and demand response projects. The flexibility of the program will allow the combination of financing with IOU rebates and other incentives.

The Nonresidential Program is not being developed at this time. Launch of the Nonresidential financing program is dependent on the development of On-Bill Repayment (OBR) functionality.

## Appendix 2: Hub Infrastructure

CAEATFA is creating a statewide platform for finance companies and contractors to participate in the uptake of energy efficiency projects through increased access to financing. As the administrator of the Hub, CAEATFA is responsible for developing uniform program requirements, standardized documentation and processes, and acting as a central entity to facilitate investment in energy efficiency projects and implementation of the programs.

Key infrastructure elements needed to implement the Hub include a Master Servicer, Trustee Bank, Contractor Manager, Marketing Implementer, Data Manager, and Technical Advisors. Below are descriptions of each of these roles and information regarding their current status as it relates to CAEATFA's procurement processes.

### Master Servicer

|                      |  |
|----------------------|--|
| <i>Organization</i>  | Concord Servicing Corporation  |
| <i>Duties</i>        | The Master Servicer plays a key role in the daily administration of the programs, accepting loan enrollment applications and processing on-bill repayment transactions.                        |
| <i>Contract Term</i> | 1/1/18 – 12/31/20  |
| <i>Notes</i>         | A one-year extension of this contract was approved by the Department of General Services on December 13, 2019. CAEATFA staff is preparing to release an RFP for continued services in Q2 2020. |

### Trustee Bank

|                      |   |
|----------------------|---|
| <i>Organization</i>  | US Bank   |
| <i>Duties</i>        | The Trustee Bank holds the ratepayer funds provided by the IOUs to serve as Credit Enhancements under the various programs. CAEATFA provides direction to the Trustee Bank to transfer CE funds between various accounts. |
| <i>Contract Term</i> | 1/8/18 – 12/31/20   |
| <i>Notes</i>         | A one-year extension of this contract was approved by the Department of General Services on October 29, 2019. CAEATFA staff is preparing to release an RFP for continued services in Q3 2020.                             |

### Contractor Manager

|                      |   |
|----------------------|---|
| <i>Organization</i>  | Frontier Energy   |
| <i>Duties</i>        | The Contractor Manager recruits, enrolls, trains, and supports contractors and conducts quality control oversight of projects not participating in an IOU rebate/incentive program. |
| <i>Contract Term</i> | 6/4/19 – 5/28/21  |
| <i>Notes</i>         | Option for a one-year extension.  |



## Marketing Implementer

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|                      |  |
|----------------------|--|
| <i>Organization</i>  | Center for Sustainable Energy  |
| <i>Duties</i>        | The Marketing Implementer conducts customer marketing activities and administers GoGreen Financing, the customer-facing platform for information on the Hub's programs. The contract for the Marketing Implementer is held by SoCalGas and is not administered by CAEATFA nor represented in CAEATFA's administrative costs. However, the Marketing Implementer works closely with CAEATFA and the IOUs to manage customer marketing for the programs. The Center for Sustainable Energy (CSE) has served as the Marketing Implementer since 2014. |
| <i>Contract Term</i> | 10/20/17 – 9/30/20   |
| <i>Notes</i>         | The CPUC's draft Resolution on REEL approved continued marketing activity for the Hub Programs. SoCalGas, working closely with CAEATFA and the IOUs, is expected to contract for continued marketing services.   |

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## Data Manager

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|                      |  |
|----------------------|--|
| <i>Organization</i>  | TBD  |
| <i>Duties</i>        | The Data Manager was envisioned to receive program data from the Master Servicer and other energy efficiency finance program administrators in order to prepare it for public presentation and use, as well as receive program-related energy savings data from the CPUC. This data is to be aggregated and anonymized according to the combined standards and regulatory requirements of the IOUs and capital providers. While it was initially conceived that an RFP for competitive solicitation for this service would be released, CAEATFA is currently considering how to provide this service under a lower-cost mechanism. |
| <i>Contract Term</i> | TBD  |
| <i>Notes</i>         | TBD  |

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## Technical Advisors

Technical Advisors provide expertise to CAEATFA in the development and implementation of the Hub programs.

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|                      |  |
|----------------------|--|
| <i>Organization</i>  | Energy Futures Group (EFG)   |
| <i>Duties</i>        | Provides technical assistance to continue research and development as well as implementation assistance for SBF. |
| <i>Contract Term</i> | 3/13/19 – 3/13/21  |
| <i>Notes</i>         | Option for a one-year extension.   |

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### Appendix 3: Budget and Staffing Authorization

D.13-09-044 directs the IOUs to allocate a total of \$75.2 million to finance the programs over the initial period. Table 2 provides an itemized breakdown of these allocations, current expenditures and remaining balance. As of March 30, 2020, CAEATFA had expended \$10,663,609 of the \$15.36 million allocated for Hub Administration, Direct Implementation, and Outreach and Training. CAEATFA will be seeking additional funding for program implementation beyond 2020 to align with the current program implementation timetable.

**Table 7. Budget for Hub Expenditures (September 2014 through March 31, 2020)**

| Item  | Allocated            | Expended             | Balance              |
|---|----------------------|----------------------|----------------------|
| <b>Hub Administration (CAEATFA)</b>   |                      |                      |                      |
| <i>Start-up costs, Hub administration, direct implementation, outreach and training</i> |                      |                      |                      |
| Initial allocation per D.13.09.044 for CAEATFA implementation                           | \$ 5,000,000         |                      |                      |
| CAEATFA outreach and training to finance companies and contractors                      | \$ 2,000,000         |                      |                      |
| Reserve fund allocation to CAEATFA in November 2016 <sup>7</sup>                        | \$ 8,360,000         |                      |                      |
| <b>1. Subtotal Hub Administration Costs (CAEATFA)<sup>8</sup></b>                       | <b>\$ 15,360,000</b> | <b>\$ 10,663,609</b> | <b>\$ 4,696,391</b>  |
| <b>Marketing, Education, Outreach (MEO)</b>   |                      |                      |                      |
| Statewide MEO plan <sup>9</sup>   | \$ 8,000,000         | \$ 7,586,506         | \$ 413,494           |
| <b>2. Subtotal Marketing, Education, and Outreach<sup>10</sup></b>                      | <b>\$ 8,000,000</b>  | <b>\$ 7,586,506</b>  | <b>\$ 413,494</b>    |
| <b>Credit Enhancement</b>   |                      |                      |                      |
| Initial Allocation per D.13.09.044  | \$ 42,900,000        |                      |                      |
| Earmarked by IOUs for Admin and Direct Implementation per PIPs <sup>11</sup>            | \$ (9,863,976)       |                      |                      |
| <b>3. Subtotal Credit Enhancement Funds Allocated after IOU Admin<sup>12</sup></b>      | <b>\$ 33,036,024</b> | <b>\$ 192,818</b>    | <b>\$ 32,843,206</b> |
| Funds currently encumbered <sup>13</sup>  | \$ 1,462,274         |                      |                      |
| <b>IOU Administration</b>   |                      |                      |                      |
| <i>Start-up costs, On Bill Repayment (OBR) build-out, direct implementation</i>         |                      |                      |                      |
| Admin, General Overhead and Direct Implementation per PIPs                              | \$ 9,863,976         |                      |                      |
| IT Costs  | \$ 8,000,000         |                      |                      |
| <b>4. Subtotal IOU Administration<sup>14</sup></b>                                      | <b>\$ 17,863,976</b> | <b>(TBD)</b>         | <b>(TBD)</b>         |
| <b>Hub Pilot Reserve</b>  |                      |                      |                      |
| <b>5. Subtotal Remaining Reserve<sup>15</sup></b>                                       | <b>\$ 984,931</b>    | <b>-</b>             | <b>-</b>             |
| <b>Total: 1, 2, 3, 4, 5</b>   | <b>\$ 75,244,931</b> | <b>\$ 18,442,933</b> | <b>\$ 37,953,091</b> |

<sup>7</sup> Funds were authorized per Joint Ruling of Assigned Commissioner and Administrative Law Judge on Financing Pilots and Associated Marketing Education and Outreach Activities, November 2016

<sup>8</sup> Quarterly expenditures are based on good faith estimates due to a lag in invoice submittals.

<sup>9</sup> The contract for the statewide marketing implementer is administered by SoCalGas. Numbers reflect data reported to CAEATFA.

<sup>10</sup> The initial allocation for ME&O also included \$2 million to CAEATFA for outreach to finance companies and contractors, and is depicted in Subtotal 1.

<sup>11</sup> Program Implementation Plans (PIPs) were filed by IOUs and CHEEF in 2014 and 2015.

<sup>12</sup> Credit enhancement expenses consist of \$192,818 paid out in claims to REEL lenders. See table 5 for details.

<sup>13</sup> Includes contributions to Finance Company loss reserve accounts net of claims paid and net of funds recaptured through annual rebalances.

<sup>14</sup> IOU Administration costs reflects initial funding. Decision 17.03.026 approved additional expenditures of up to \$500,000 per year per IOU (and \$800,000 for SoCalGas) from 2017 through 2020 with funding from energy efficiency funding already approved or for incremental funding, subject to the Advice Letter process.

<sup>15</sup> This amount reflects the remaining balance after the release of reserve funds to CAEATFA reflected in Subtotal 1.

## Appendix 4: Customer-Facing Products

Customer-facing products are discussed throughout this report, but this Appendix functions as a summary.



Designed and implemented by the Marketing Implementer, the Center for Sustainable Energy (CSE), with input and direction from CAEATFA and the IOUs, GoGreen Financing ([www.gogreenfinancing.com](http://www.gogreenfinancing.com)) serves as the primary customer-facing platform for the financing programs.

GoGreen Financing contains information for end users (customers), contractors, finance companies and partners for each of the programs. Some of the resources on the website include:

- Pages that allow potential REEL borrowers to find a local REEL participating Contractor, review the rates of participating Lenders and apply for a REEL loan online through the participating Lender’s website
- Pages that allow potential SBF customers to find an SBF participating Contractor or Project Developer, review the products offered by participating Finance Companies and apply for an SBF finance agreement through the participating Finance Company’s website
- Program descriptions and benefits of the AMF and Nonresidential Programs
- Partner resources for interested contractors, finance companies, local governments and nonprofits (some of which are available to these organizations to co-brand), including:
  - A customer-facing REEL flyer, available in both English and Spanish
  - Finance company comparison charts for REEL and SBF
  - PowerPoint Presentations
  - Partner talking points
  - REEL case studies

The image shows two screenshots from the GoGreenFinancing.com website. The top screenshot is a banner for 'Find a contractor' featuring a photo of three people. The bottom screenshot is a 'Residential Energy Efficiency Loan (REEL) Approved Lenders' chart. The chart is a table with columns for Lending Area, APR, Loan Size, Minimum Credit Score, Pre-Approval, and Contact Info. It lists various lenders across California, including California Coast, Redwood Community Credit Union, Eagle Community Credit Union, First US, and Valley Oak. Below the table are search filters for 'Search by Name', 'Service Type', and 'Other Languages', along with a 'Search' button.

| Lending Area  | APR (Fixed)   | Loan Size          | Minimum Credit Score | Pre-Approval  | Contact Info   |
|---|---------------|--------------------|----------------------|---|--|
| <b>STATEWIDE LENDERS</b><br>Available to borrowers in:  |               |                    |                      |   |  |
| <b>CALIFORNIA COAST</b><br>Anywhere in California   | 6.38% - 8.83% | \$2,500 - \$50,000 | 600                  | Instant pre-approval for qualified borrowers (up to \$25,000) | (855) 495-1637<br>CAL Energy Group<br>Pay, Bill & Kure<br><a href="http://www.calenergygroup.com">www.calenergygroup.com</a> |
| <b>Redwood Community Credit Union</b><br>Anywhere in California   | 5.99% - 7.99% | \$2,500 - \$50,000 | 640                  | Within 24 hrs*  | (818) 993-8328 option 3<br>MCCU Consumer Lending<br><a href="http://www.mccu.com">www.mccu.com</a>                           |
| <b>REGIONAL LENDERS*</b><br>Available to borrowers in:  |               |                    |                      |   |  |
| <b>SUNSHINE HOME ENERGY</b><br>Inland Valley, Southern Valley, Kern River Valley, Bishop, Benton, and parts of Kern and Inyo Counties                               | 5.90% - 8.80% | \$2,500 - \$50,000 | 580                  | Within 24 hrs*  | (866) 743-6437<br>E.M. Bran<br><a href="http://www.sunshinehomeenergy.com">www.sunshinehomeenergy.com</a>                    |
| <b>EAGLE COMMUNITY CREDIT UNION</b><br>Orange County  | 4.99% - 9.99% | \$2,000 - \$50,000 | 580                  | Within 24 hrs*  | (866) 439-2819<br>Bob Thompson<br><a href="http://www.eagleccu.com">www.eagleccu.com</a>                                     |
| <b>FIRST US Community Credit Union</b><br>Sacramento, Placer, Nevada, El Dorado, Amador, Yuba, Yuba Sutter, San Joaquin, Solano, Sierra, and Contra Costa counties† | 5.99% - 8.49% | \$2,500 - \$50,000 | 600                  | Within 24 hrs*  | (800) 556-6768 x2000<br>First US Consumer Lending<br><a href="http://www.firstus.com">www.firstus.com</a>                    |
| <b>First US Community Credit Union</b><br>Riverside, Orange, Kern, and the greater San Gabriel Valley   | 6.49% - 9.99% | \$2,500 - \$50,000 | 600                  | Within 24 hrs*  | (877) 297-6767<br>FPU Consumer Lending<br><a href="http://www.firstus.com">www.firstus.com</a>                               |
| <b>Valley Oak Community Credit Union</b><br>Folsom County and Mariposa County†  | 7.45% - 9.95% | \$1,500 - \$50,000 | 580                  | Within 24 hrs*  | (531) 488-0966 x2215<br>Kerley Vaughan<br><a href="http://www.valleyoakccu.com">www.valleyoakccu.com</a>                     |

100% Financing (No closing costs or annual fees) ✓ No Collateral Required ✓ Terms Up to 18 Years  
Apply for a loan and start your REEL project today. More at [GoGreenFinancing.com](http://GoGreenFinancing.com)

\*APR is annual percentage rate. Rates are subject to change at any time. Check with lender for the most up-to-date rate information. †During normal business hours. ‡Regional lenders require a one-time \$5 membership fee. ††Please see lender website for membership details. †††Lending and related business employees throughout the State of California are also eligible. ††††Valley Oak also can lend to select employee groups in Inyo and Fresno counties. Please see Valley Oak website for membership details.

Screenshots of the REEL lender chart and Find a Contractor tool from GoGreenFinancing.com

## Appendix 5: Loss Reserve Account Beginning and Ending Balances

### IOU Holding Accounts

The IOUs release funds into their respective holding accounts upon approval of CAEATFA staff request. CAEATFA staff coordinates with the IOUs to ensure acceptance of the funds from the IOUs and transfer of these funds to the appropriate Program account. The IOU holding accounts earn a small amount of interest each quarter, as shown below:

**Table 8. Balance of IOU Holding Accounts**

|                                 | SCG      | PG&E     | SCE      | SDG&E    |
|---------------------------------|----------|----------|----------|----------|
| Beginning Balance<br>01/01/2020 | \$740.12 | \$729.21 | \$728.44 | \$733.88 |
| Interest Accrued                | \$0.26   | \$0.26   | \$0.26   | \$0.26   |
| Ending Balance<br>03/31/2020    | \$740.38 | \$729.47 | \$728.70 | \$734.14 |

### REEL-Related Accounts

There are three REEL-related accounts administered by CAEATFA:

- The **REEL Program Account** holds the available portion of the requested CE funds that are used to CE projects that are enrolled in the REEL Program. Once a project is enrolled in the REEL Program, the CE portion of the Claim Eligible Amount is transferred to the Participating Lender's LLR. The IOUs hold additional funds budgeted for the REEL Program, and those funds are available to be released to the holding account when needed, then transferred to the Program account.
- The **REEL Reservation Account** holds funds set aside in the event a loan is pre-approved.
- The **REEL Interest Account** holds the interest swept from the REEL Program Account, the REEL Reservation Account and all the REEL Lender Loan Loss Reserve Accounts.

**Table 9. Balance of REEL-Related Accounts**

|  | REEL Program   | REEL Reservation | REEL Interest |
|--|----------------|------------------|---------------|
| Beginning Balance<br>01/01/2020                  | \$325,255.62   | \$0.00           | \$5,678.64    |
| Contributions to Lender<br>Loss Reserve Accounts | (\$152,337.71) | \$0.00           | \$0.00        |
| Recoveries on<br>Charged-Off Loans               | \$20,691.06    | \$0.00           | \$0.00        |
| Interest Sweep                                   | \$0.00         | \$0.00           | \$598.82      |
| Ending Balance<br>03/31/20                       | \$193,608.97   | \$0.00           | \$6,277.46    |

### REEL Lender Loan Loss Reserve Accounts

Each time a lender enrolls a project, a loss reserve contribution of either 11% or 20% (depending on whether or not the loan was made to an underserved borrower) is transferred from the REEL Program Account into the respective lender’s Loan Loss Reserve (LLR) Account. The ending balance on the table below shows the amount the lender has available to offset a borrower defaulting on a loan.

### Annual Rebalance of Lender Accounts

D. 13-09-44 directs CAEATFA to recapture funds periodically when loans are paid off to meet the goal of developing a sustainable program, and D. 17-03-026 gives CAEATFA the ability to true up its credit enhancement funds at its discretion. CAEATFA has chosen to complete the recapture of Credit Enhancement funds through an annual rebalance. The rebalance occurs annually in August for the previous fiscal year running July 1-June 30. Recaptured funds are transferred from the Lenders LLR Accounts back to the Program Account.

**Table 10. Balance of REEL Lender Loss Reserve Accounts**

|                              | California Coast Credit Union | Matadors Community Credit Union | Valley Oak Credit Union | Desert Valleys Federal Credit Union | Eagle Community Credit Union | Pasadena Service Federal Credit Union | First U.S. Community Credit Union |
|------------------------------|-------------------------------|---------------------------------|-------------------------|-------------------------------------|------------------------------|---------------------------------------|-----------------------------------|
| Beginning Balance 01/01/2020 | \$625,912.18                  | \$558,315.06                    | \$26,381.37             | \$33,705.74                         | \$25,998.55                  | \$7,206.09                            | \$52,031.83                       |
| Claims Paid                  | (\$68,315.70)                 | \$0.00                          | \$0.00                  | \$0.00                              | \$0.00                       | \$0.00                                | \$0.00                            |
| Loss Reserve Contributions   | \$70,791.54                   | \$46,542.73                     | \$8,819.40              | \$6,991.45                          | \$0.00                       | \$0.00                                | \$19,192.59                       |
| Ending Balance 03/31/2020    | \$628,388.02                  | \$604,857.79                    | \$35,200.77             | \$40,697.19                         | \$25,998.55                  | \$7,206.09                            | \$71,224.42                       |

### SBF-Related Accounts

Loss reserve accounts for the SBF Program operate under a similar process as those for the REEL Program loss reserve accounts. Each time a finance company enrolls a project, 20% of the first \$50,000 of the agreement and 5% of the next \$950,000 is transferred from the SBF Program account into the respective finance company’s loss reserve account. The ending balance on Table 11 shows the amount the finance company has available in the loss reserve to offset a customer defaulting on a finance agreement.

**Table 11. Balance of SBF-Related Accounts**

|  | SBF Program   | SBF Interest |
|--|---------------|--------------|
| Beginning Balance 01/01/2020           | \$355,604.93  | \$651.19     |
| Contributions to Loss Reserve Accounts | (\$14,728.64) | \$0.00       |
| Interest Sweep                         | \$0.00        | \$144.04     |
| Ending Balance 03/31/2020              | \$340,876.29  | \$795.23     |

**Table 12. Balance of SBF Lender Loss Reserve Accounts<sup>16</sup>**

|   | <b>Ascentium Capital</b> | <b>DLL Financial Solutions Partner</b> |
|---|--------------------------|--|
| Beginning Balance<br>01/01/2020           | \$16,125.00              | \$28,270.07                            |
| Contributions to Loss<br>Reserve Accounts | \$14,728.64              | \$0.00                                 |
| Ending Balance<br>03/31/2020              | \$30,853.64              | \$28,270.07                            |

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<sup>16</sup> Loss reserve accounts exist for SBF's three participating Finance Companies. Account activity will be reported for the third Finance Company upon enrollment of their first financing agreement with the Program.








## Appendix 6: Participating Finance Company Overview

All Hub programs leverage private capital through participating Finance Companies. Each Finance Company enrolls in a Hub program through an application process and subsequently receive credit enhancements for the financing they enroll that meets program criteria. There are currently:




- **7 participating REEL Lenders:** California Coast Credit Union, Desert Valleys Federal Credit Union, Eagle Community Credit Union, First US Community Credit Union, Matadors Community Credit Union, Pasadena Service Federal Credit Union and Valley Oak Credit Union
- **3 participating SBF Finance Companies:** Alliance Funding Group, Ascentium Capital, and DLL Financial Solutions Partner
- **1 participating AMF Finance Company:** Renew Energy Partners

The tables below provide details on the qualities of these participating Finance Companies and their involvement with the Hub programs to date.


**Table 13. Participating REEL Lenders**

|   | Date Enrolled in REEL | Counties Served  | Number of Credit Union Members | Total REEL Loans Enrolled | REEL Loans Enrolled in Q120 |
|---|-----------------------|--|--------------------------------|---------------------------|-----------------------------|
|    | September 2016        | Statewide  | 185,000                        | 365                       | 22                          |
|   | September 2016        | Inyo, Kern, San Bernardino                                 | 4,000                          | 18                        | 3                           |
|  | March 2018            | Orange   | 20,000                         | 9                         | 0                           |
|  | June 2018             | 12 in Northern California                                  | 25,000                         | 33                        | 8                           |
|  | March 2016            | Statewide  | 20,000                         | 219                       | 14                          |
|  | April 2018            | Pasadena, statewide federal employees                      | 11,000                         | 2                         | 0                           |
|  | August 2015           | Madera, Tulare, specific employer groups in Kings & Fresno | 6,700                          | 17                        | 4                           |

**Table 14. Participating SBF Finance Companies**

|  | Date Enrolled in SBF | Products Offered                            | Financing Limits       | Total SBF Projects Enrolled |
|--|----------------------|---|------------------------|-----------------------------|
|  <b>Alliance</b><br>FUNDING GROUP       | May 2019             | Equipment leases                            | \$10,000 - \$5 million | 0                           |
|  <b>ascentium</b><br>CAPITAL            | March 2019           | Equipment finance agreements                | \$10,000 - \$2 million | 2                           |
|  <b>dLL</b> financial solutions partner | March 2019           | Equipment leases, service agreements, loans | \$10,000 - \$5 million | 2                           |

**Table 15. Participating AMF Finance Company**

|   | Date Enrolled in AMF | Products Offered          | Financing Limits         | Total AMF Projects Enrolled |
|---|----------------------|---------------------------|--------------------------|-----------------------------|
|  <b>RENEW</b><br>Energy Partners | August 2019          | Energy service agreements | \$250,000 - \$10 million | 0                           |



Appendix 7: Enrolled Finance Company Product Features  
**Table 16. Enrolled REEL Lender Product Features – March 20, 2020**



**Residential Energy Efficiency Loan (REEL) Approved Lenders**  
*Financing for single-family residential units*

|                                     | Lending Area   | APR <sup>1</sup> (03/20/2020)  | Loan Size          | Minimum Credit Score | Pre-Approval  | Contact Info   |
|-------------------------------------|--|--|--------------------|----------------------|---|--|
| <b>STATEWIDE LENDERS</b>            |  |  |                    |                      |   |  |
| Available to borrowers in:          |  |  |                    |                      |   |  |
|                                     | Anywhere in California   | 4.48% - 7.48%<br>3.48% - 4.48% for loans \$2,500 - \$30,000 <sup>2</sup> | \$2,500 - \$50,000 | 600                  | Instant pre-approval for qualified borrowers (up to \$25,000) | (858) 495-1637<br>CCCU Energy Group:<br>Ray, Zak, Bill & Katya<br><a href="mailto:energy@calcoastcu.org">energy@calcoastcu.org</a> |
|                                     | Anywhere in California   | <b>New Low Rates</b><br>3.99% - 5.99% <sup>3</sup>                       | \$2,500 - \$50,000 | 580                  | Within 24 hrs <sup>4</sup>                                    | (818) 993-6328, option 3<br>MCCU Consumer Lending<br><a href="mailto:energy@matadors.org">energy@matadors.org</a>                  |
| <b>REGIONAL LENDERS<sup>5</sup></b> |  |  |                    |                      |   |  |
| Available to borrowers in:          |  |  |                    |                      |   |  |
|                                     | Indian Wells Valleys, Searles Valley, Kern River Valley, Bishop, Barstow, and parts of Kern and Inyo counties <sup>6</sup>             | 5.00% - 9.00%  | \$2,500 - \$50,000 | 580                  | Within 24 hrs <sup>4</sup>                                    | (866) 743-6497<br>Eric Bruen<br><a href="mailto:REEL@desertvalleys.org">REEL@desertvalleys.org</a>                                 |
|                                     | Orange County  | 4.99% - 9.15%  | \$2,500 - \$50,000 | 580                  | Within 24 hrs <sup>4</sup>                                    | (949) 639-7819<br>Bob Thompson<br><a href="mailto:bthompson@eaglecu.org">bthompson@eaglecu.org</a>                                 |
|                                     | Sacramento, Placer, Nevada, El Dorado, Amador, Yuba, Yolo, Sutter, San Joaquin, Solano, Sierra, and Contra Costa counties <sup>7</sup> | 4.99% - 8.99% <sup>2</sup>   | \$2,500 - \$50,000 | 600                  | Within 24 hrs <sup>4</sup>                                    | (800) 556-6768 x2009<br>First US Consumer Lending<br><a href="mailto:energy@firstus.org">energy@firstus.org</a>                    |
|                                     | Pasadena, Covina, Vernon, and the greater San Gabriel Valley   | 6.40% - 9.00%  | \$2,500 - \$30,000 | 600                  | Within 24 hrs <sup>4</sup>                                    | (877) 297-4707<br>PSFCU Lending<br><a href="mailto:lending@mypsfcu.org">lending@mypsfcu.org</a>                                    |
|                                     | Tulare County and Madera County <sup>8</sup>   | 6.88% - 9.38%  | \$1,500 - \$50,000 | 580                  | Within 24 hrs <sup>4</sup>                                    | (559) 688-5996 x2315<br>Kiersty Vaughan<br><a href="mailto:kvaughan@valleyoak.org">kvaughan@valleyoak.org</a>                      |

✓ **100% Financing** (No closing costs or annual fees) ✓ **No Collateral Required** ✓ **Terms Up to 15 Years**

Apply for a loan and start your REEL project today. More at [GoGreenFinancing.com](http://GoGreenFinancing.com)

<sup>1</sup> APR = Annual percentage rate. Rates are subject to change at any time. Check with lender for the most up-to-date rate information. <sup>2</sup> 30-month payback term limit. <sup>3</sup> Includes 0.5% auto-pay discount. <sup>4</sup> During normal business hours. <sup>5</sup> Regional lenders require a one-time \$5 membership fee. <sup>6</sup> Please see Desert Valleys' website for membership details. <sup>7</sup> Existing and retired federal employees throughout the State of California are also eligible. <sup>8</sup> Valley Oak can lend to select employee groups in Kings and Fresno counties. Please see Valley Oak's website for membership details.

Table 17. Enrolled SBF Finance Company Product Features – February 25, 2020



Small Business Financing (SBF) Participating Finance Companies



|   | Equipment finance agreements   | Equipment leases, service agreements* and loans   | Equipment leases  |
|---|--|---|---|
| Amount available                          | \$10,000 - \$2,000,000   | \$10,000 - \$5,000,000  | \$10,000 - \$5,000,000  |
| Term                                      | 12 - 60 months<br>Up to 84 months if required for project cashflow   | 12 - 84 months<br>Up to 120 months if required for project cashflow   | 24 - 120 months<br>\$50,000 minimum required for 60+ months   |
| Document fees                             | \$195<br>(\$295 if prefunding)   | \$125<br>(\$225 if financing more than \$250,000)   | \$395   |
| <b>WHAT CAN BE FINANCED</b>               |  |   |   |
| Energy efficiency & demand response       | ✓  | ✓   | ✓   |
| Soft costs                                | ✓  | ✓   | ✓   |
| Nonenergy saving measures                 | ✓  | ✓ <sup>X</sup>  | ✓ <sup>X</sup>  |
| Distributed generation & battery storage  | ✓  | ✓   |   |
| <b>CUSTOMER ELIGIBILITY</b>               |  |   |   |
| Tenant occupants permitted                | ✓  | ✓ <sup>T</sup>  | ✓ <sup>TZ</sup>   |
| Minimum months in business                | 12 months (up to \$100,000)<br>Greater amounts require 18+ months in business  | 18 months   | Varies<br>Please inquire for details  |
| <b>FEATURES</b>                           |  |   |   |
| Application only (no financials required) | Up to \$250,000  | Up to \$125,000   | Up to \$300,000   |
| Fast credit approvals                     | Within 2 business hours (up to \$250,000)  | Within 24 hours (up to \$250,000)   | Within 24 hours (up to \$300,000)   |
| Other features                            | <ul style="list-style-type: none"> <li>■ Prefunding up to 95% of financed amount for contractors that satisfy a credit check</li> </ul>  | <ul style="list-style-type: none"> <li>■ Progress payments or escrow funding for contractors who pass credit checks</li> <li>■ DLL can bill for and collect regular service and maintenance charges for contractor</li> </ul> | <ul style="list-style-type: none"> <li>■ Cannabis grow operations may qualify</li> <li>■ Lease reamortization option after 5 years</li> </ul> |
| Contact                                   | <b>Josh Patton</b><br>(281) 902-1969<br><a href="mailto:joshpatton@ascantiumcapital.com">joshpatton@ascantiumcapital.com</a><br><a href="http://Ascantium.info/GoGreen19">Ascantium.info/GoGreen19</a> | <b>Matt Singer</b><br>(484) 688-4644<br><a href="mailto:msinger@leasedirect.com">msinger@leasedirect.com</a>  | <b>David Goldstein</b><br>(714) 450-1026<br><a href="mailto:dgoldstein@alliancefunds.com">dgoldstein@alliancefunds.com</a>                    |

\*Service agreements require a minimum of \$50,000 and at least a 36-month term. <sup>X</sup>Up to 30% of claim-eligible amount. <sup>T</sup>If financing term is less than or equal to time remaining on occupancy lease. <sup>Z</sup>Limited to measures not affixed to property.

All financing is subject to credit approval and compliance with the program terms. Rates and terms are subject to change. Please contact the finance company representatives above for up to date information.

**GoGreenFinancing.com**

02/25/2020








## Appendix 8: Impact of the Credit Enhancement

The credit enhancement mitigates risk for lenders, yielding better loan terms for customers and encouraging more energy efficiency lending that will help California achieve its greenhouse gas reduction goals. The information below is based on the REEL Program, the longest-running Hub Program.

Based on CAEATFA’s agreements with REEL lenders, the credit enhancement has resulted in better terms and approval rates for REEL customers. When interested financial institutions submit an application to become a lender, CAEATFA asks them to describe their most similar loan product (typically an unsecured personal loan) and to describe their current interest rate, minimum credit scores, maximum loan amounts and maximum terms for these loans. With this information, CAEATFA is able to ensure that the final and approved REEL product has appropriate benefits for borrowers.

Because lenders are free to set their own underwriting criteria within program guidelines, individual products vary from lender to lender. The table below gives some highlights of changes that resulted as a result of the credit enhancement. When a range is stated below, it generally ties back to the borrower’s credit score.

**Table 18. Impact of the Credit Enhancement by REEL Lender**

|                      |  |  |  |  |  |  |  |
|----------------------|---|---|--|---|---|---|---|
|                      | STATEWIDE LENDERS   |   |  | REGIONAL LENDERS  |   |   |   |
| Interest Rate        | Reduction ranged from 840 - 1640 bps <sup>17</sup>                                | Reduction ranged from 591 - 841 bps   | Reduction ranged from 333 - 783 bps  | Reduction ranged from 949 - 1100 bps  | Reduction ranged from 675 - 1162 bps  | Reduction ranged from 491 - 696 bps   | Reduction ranged from 309 - 809 bps   |
| Minimum Credit Score | No change from existing 600   | Reduced from 660 to 580   | No change from existing 580 <sup>18</sup>  | No change from existing 580 <sup>16</sup>   | No change from existing 580 <sup>16</sup>   | Reduced from 640 to 600   | Reduced from 640 to 600   |
| Maximum Loan Amount  | Increased from \$20,000 to \$50,000   | Increased from \$15,000 to \$50,000   | Increased from \$20,000 to \$50,000  | Increased from \$2,500 to \$50,000  | Increased from \$25,000 to \$50,000   | Increased from \$25,000 to \$50,000   | Increased from \$20,000 to \$30,000   |
| Maximum Loan Term    | Increased from 5 years up to 15   | Increased from 5 years up to 15   | Increased from 5 years up to 15  | Increased from 5 years up to 15   | Increased from 5 years up to 15   | Increased from 5.5 years up to 15   | Increased from 5 years up to 15   |

*The interest rates reflected in this table are effective as of March 31, 2020.*

<sup>17</sup> bps = Basis point, a common unit of measure for interest rates. A single basis point is equal to 1/100th of 1%, so 100 bps = 1%

<sup>18</sup> 580 is the REEL program minimum

The provision of a credit enhancement is at the heart of the Hub’s financing program design. As the table on the previous page shows, REEL lenders have made improvements to their existing underwriting criteria as a result of the loan loss reserve that significantly benefit potential borrowers. For example, a borrower with a lower credit score can get a loan from California Coast Credit Union with an interest rate of 7.90% through the REEL Program—nearly 1300 basis points lower than California Coast’s ordinary rate on an unsecured personal loan. Moreover, that borrower can stretch out payments on the REEL loan over a term of up to 15 years, as opposed to having to pay it back in five years, as is the case with California Coast’s non-REEL unsecured loans. The extended payback period available to REEL borrowers translates to lower monthly payments, a key factor in keeping loans affordable.

**How the Credit Enhancement Helps Achieve Program Goals**

The Credit Enhancement is more than just a financial mechanism. For Hub programs, it means the difference between achieving program goals—increasing the availability of lower-cost financing for energy investments throughout California, including for underserved borrowers—and not. Consider these potential outcomes for a borrower wishing to access \$25,000 to upgrade their home’s energy efficiency:

| BORROWER WITH . . .      | Without REEL   | With REEL  |
|--------------------------|--|--|
| ...a credit score of 600 | Borrower would be <b>unlikely to qualify</b> for a personal loan.  | Borrower may qualify for a REEL loan with <b>a term of 5, 10 or 15 years</b> , paying <b>9.38% or less</b> .   |
| ...a credit score of 700 | Borrower could likely take out a personal loan, paying the nationwide average of 12% <sup>19</sup> . Since lenders seldom make unsecured personal loans for longer than 5 years, <b>the resulting payment on a \$25,000 loan would be \$556</b> . Borrower may not be able to afford the high monthly payment. | Borrower could likely take out the necessary REEL loan, paying the REEL average 7% interest for 15 years. <b>The resulting monthly payment would be a manageable \$225</b> . |

<sup>19</sup> [Credit Union National Association Monthly Credit Union Estimates, Oct. 2019](#)