CHEEF

CALIFORNIA HUB FOR ENERGY EFFICIENCY FINANCING

ENERGY EFFICIENCY FINANCING PILOTS

QUARTERLY REPORT & PROGRAM STATUS SUMMARY

SECOND QUARTER 2020

CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY (CAEATFA)

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"The Hub" and "CHEEF" are used interchangeably in this report as abbreviations for 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.[1] 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[2], 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.

[1] Decision 13-09-044

[2] Resolution E-4900, published December 14, 2017

Executive Summary – Q2 2020

Continued COVID-19 Response from CAEATFA and CHEEF Programs

After the COVID-19 crisis unfolded in March and as California citizens, businesses, and organizations began settling into a "new normal," CAEATFA staff also responded to the prevailing economic and public health concerns. Program staff confirmed that REEL and SBF's participating Finance Companies were offering emergency relief measures to all of their customers, including those participating in CHEEF programs, who potentially could not make payments because of the crisis. (REEL lenders anecdotally reported very little uptake on these offers during the quarter). Further, the Contractor Manager surveyed enrolled Contractors to gain an understanding of the pandemic's impact on their businesses.

Outgoing communications included newsletters directing Contractors to resources with increased relevance during the crisis (e.g., information on federal aid for small businesses) and a message to customers published on GoGreenFinancing.com. Overall, these communications encouraged stakeholders to abide by local health guidelines and affirmed continued operations of the Hub's Programs.

Extension of Implementation Agreement between CAEATFA and the IOUs

The CAEATFA Board approved the extension of the existing receivables contract between the IOUs and CAEATFA, which funds CAEATFA's administrative costs for implementing the Hub, through fiscal year 2022. This new agreement increases the total amount of the contract to $23.06 million (from $15.36 million) in alignment with the authorization provided by the CPUC in Resolution E-5072.

Master Servicer Contract Award

Following a solicitation process, CAEATFA issued a new contract for its Master Servicer, which was awarded to Concord Servicing Corporation on June 16, 2020. The previous contract was due to expire at the end of this year. The contract will allow for ongoing implementation of the Programs, continued development of the on-bill repayment infrastructure and improvements to the REEL Program to streamline operations for contractors and lenders and position the Program to scale. Concord has worked with CAEATFA since 2015 and is the current Master Servicer.

Residential Energy Efficiency Loan (REEL) Program Developments

- **The CPUC issued Resolution E-5072**, which authorized REEL to transition from a pilot to a full-scale program. The Resolution allocates funding for CAEATFA to continue operating the Hub and make improvements to REEL, as the CPUC deliberates longer-term direction for the Hub Programs.
- **64 new loans were enrolled in REEL** between April 1 and June 30, leading to a total financed amount of $12.5 million by the quarter's end. Despite a slow start to the quarter, there was an uptick in project enrollments with the onset of warmer weather in late May and June. HVAC units remained the most frequently installed measure, accounting for much of this seasonal growth.
- **Participating Lenders lowered interest rates** again in Q2, presenting even more competitive options for borrowers than the historically low rates achieved in the previous quarter. REEL rates now range from 3.48%-8.12%.

Small Business Energy Efficiency Financing (SBF) Program Developments

- **Two projects were enrolled in SBF, and three more were pre-approved** in Q2. Slower uptake was experienced in the Program's third quarter of operations since launch as small businesses across the state were hit hard by COVID-19. The two projects enrolled in the Program were worth a combined $888,380 and brought the total amount financed through SBF to $1.47 million.

- **Staff continued outreach** among potential microlenders and IOU third-party program implementers in efforts to provide financing for projects below $10,000 and integrate financing with complementary statewide and regional energy efficiency programs.

Affordable Multifamily Energy Efficiency Financing (AMF) Program Development

- **Rulemaking was completed for the AMF Program.** CAEATFA staff completed the emergency and regular rulemaking process for the AMF Program regulations. In May 2020, staff submitted a Certificate of Compliance, proposed modified regulations, and all corresponding documents to the Office of Administrative Law (OAL). Submission of the Certificate of Compliance completes the regular rulemaking, which began with the emergency rulemaking process in May 2019. OAL approved and enacted the regulations on June 17, 2020.

On-Bill Repayment Development

- **Testing of on-bill repayment functionality continued**. The Master Servicer worked directly with SCE to complete additional testing of on-bill repayment in preparation for launch of the functionality later this year.

REEL customer Juliana Maziarz in front of her Los Angeles home

The Residential Energy Efficiency Loan (REEL) Assistance Program

Key REEL Metrics – Q2 2020 (April 1-June 30, 2020)

64	**$1,100,217**	**$17,191**
New REEL Loans	Financing Enrolled	Average Loan Size

Updates

Despite the continued impacts of the COVID-19 pandemic, the REEL Program experienced a seasonal influx of new activity in Q2. 64 new loans were enrolled in the Program over the course of the quarter, an increase of 25% over Q1 and 14% above the same quarter last year, which brought the total number of REEL loans enrolled to 727. Of the loans enrolled in Q2, 53% were for improvements to properties in LMI census tracts, compared to 61% in Q1 and 54% since program inception. The number of projects completed in areas designated as underserved by CalEnviroScreen remained similar to previous quarters at 19%.

Several indicators in this quarter's metrics point to the likely impacts of the COVID-19 crisis on borrowers. Average loan size decreased by $2,000 from the prior quarter, and many projects were comprised of single measures. Customers continued to heavily favor HVAC replacements and building envelope measures, such as air sealing and insulation, but in many cases did not couple these measures with upgrades like efficient windows. CHEEF staff presume this is due to the need for residential cooling during the heat of summer, especially as Californians stayed at home due to COVID-related restrictions. On the economic side, it is possible that the smaller financed amounts are reflections of customers' heightened financial concerns during COVID-19.

Another interesting aspect of REEL's Q2 activity was the uptake of newer technologies among customers. Cool roofs, which are designed to absorb less heat than standard roofs, and heat pumps, devices that use electricity to transfer heat to maintain building temperature, were included in 16 of the 64 projects enrolled (31%).

Table 1. Top 3 REEL Measure Types Installed – Q2 2020

HVAC: 45	**BUILDING ENVELOPE: 32**	**WATER HEATING: 3**
Equipment and ductwork	Air sealing, insulation, cool roofs, windows, etc.	Water heaters and low-flow fixtures

Activity and new loan enrollments in the REEL Program in Q2 were also bolstered by further interest rate decreases from several participating Lenders, bringing rates down even lower from the historically low rates achieved in Q1. Five of the seven REEL Lenders (Desert Valleys FCU, Eagle Community Credit Union, First U.S.

Community Credit Union, Pasadena Federal Credit Union, and Valley Oak Credit Union) lowered their rates during the quarter. At the end of the quarter, REEL rates ranged from 3.48% to 8.12%.

Table 2. REEL Loan Activity Since Program Inception (Q3 2016 – Q2 2020)

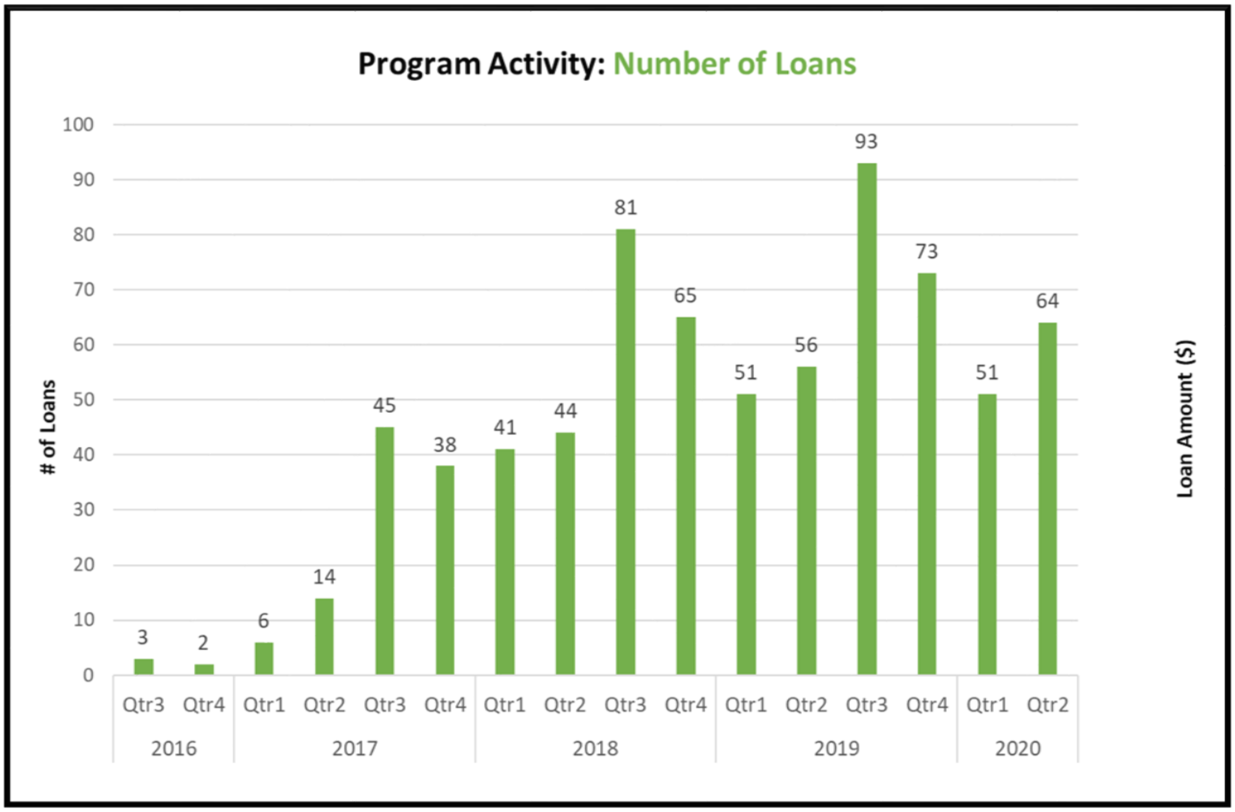


Table 3. REEL Loans Enrolled by Lender – Q2 2020

Lender	Loans Enrolled	Claim-Eligible Principal
California Coast Credit Union	33	$553,159
Desert Valleys Federal Credit Union	3	$45,324
Eagle Community Credit Union	0	$0
First US Community Credit Union	3	$31,313
Matadors Community Credit Union	18	$365,278
Pasadena Service Federal Credit Union	1	$10,000
Valley Oak Credit Union	6	$95,142

CPUC Resolution on the Status of REEL

The CPUC issued Resolution E-5072 on April 16, 2020, approving the transition of the REEL Program from a pilot to a full-scale program. The Resolution also authorized several key items and actions that will allow REEL to not only continue its operations but begin to scale, including:

- **CAEATFA will continue in its role as administrator of the REEL Program** and may modify and enhance the Program to allow it to scale.
- **Funding was authorized for Program administration** while the CPUC considers a longer-term funding source and direction. If needed, CAEATFA may shift up to $7.7 million of funds allocated toward credit

enhancements in the original CHEEF budget to support administration of REEL and the CHEEF during fiscal years 2020-2022. During development of the Resolution, CAEATFA presented three potential budget scenarios at low, moderate, and high expenditure levels for the CPUC's consideration; the CPUC approved CAEATFA's high budget scenario.

- **The IOUS were directed to continue providing support** for Information Technology, Marketing, and Administration of REEL and the other financing pilots. The commission authorized interim financing funding options for the IOUS until a long-term budget proceeding is filed.

The Resolution found that the current infrastructure and financing offerings of the REEL Program establish the potential for scalability, based on outcomes found in the evaluation, measurement and verification report on the Program released in late 2019. The Resolution authorizes CAEATFA to make enhancements to the Program while the CPUC takes up issues related to its long-term direction.

The approval of CAEATFA's proposed high budget scenario will allow staff to execute operational enhancements including planned IT fixes and process improvements for contractors and lenders, as well as modifications to support the ability to scale the Program, such as batch processing of loan enrollments. However, the Resolution does not include authorization to expand the scope of REEL projects to include solar or storage measures; that expansion will be considered by the CPUC in future deliberations.

CHEEF staff will begin planning for Program modifications and regulation changes in Q3 in line with this authorization.

Outreach

Direct customer marketing activities for the REEL Program remained paused during Q2, having been halted at the onset of the COVID-19 crisis in March at the recommendation of the Marketing Implementer and in concurrence with the IOUs' decision to pause program marketing. "Paid search" marketing, which appears when customers enter specific web search terms related to REEL's financing options (e.g., "HVAC financing") remained the only form of marketing in effect. This activity directed roughly 800 users to the website in Q2.

The Marketing Implementer began developing marketing materials that correlate with different COVID-19 scenarios, including lockdown measures and phased re-openings; this content package is expected to be completed in Q3 and deployed early in Q4, pending developments with the pandemic.

GoGreenFinancing.com – Not surprisingly, given the lack of customer marketing, web traffic to GoGreenFinancing.com dropped sharply in Q2, totaling 13,699 users over the course of the quarter. This represents an 80% decrease in overall traffic from Q1 (which saw 70,229 visits). However, the users that did visit GoGreenFinancing.com were particularly engaged: the average session time per user (the amount of time a user stays on the website) tripled from the prior quarter, and referrals to REEL Lenders more than doubled, going from 527 referrals in Q1 to 1,231 referrals in Q2.

There are many possible explanations for this increase in customer engagement despite the significant decrease in overall traffic. Nearly half (45%) of users accessed the website through a direct web search or a link from a partner organization's website, compared to previous quarters where the most common referrals came from broader, less targeted marketing activities. In the absence of direct marketing, this implies that customers visiting GoGreenFinancing.com in Q2 were more seriously seeking financing options than the broad range of individuals targeted by statewide marketing campaigns.

While marketing remains paused, CHEEF staff and the Marketing Implementer are working on several updates to GoGreenFinancing.com to improve functionality and enhance contractor visibility. Research and planning has also begun on an effort to translate the website into Spanish, which will help a population traditionally underserved by mainstream financial institutions access the Program. The translation process is expected to begin in Q3.

IOU Outreach to Customers – Program marketing led by the IOUs remained paused throughout Q2. Existing IOU webpages continued to drive traffic to the website; information on REEL listed on SCE's website led over 1,300 visitors to GoGreenFinancing.com. The Marketing Implementer is developing REEL marketing content built around COVID-19 for the IOUs' use in regional marketing, which is planned to resume later this year (though is dependent on the long-term development of the crisis).

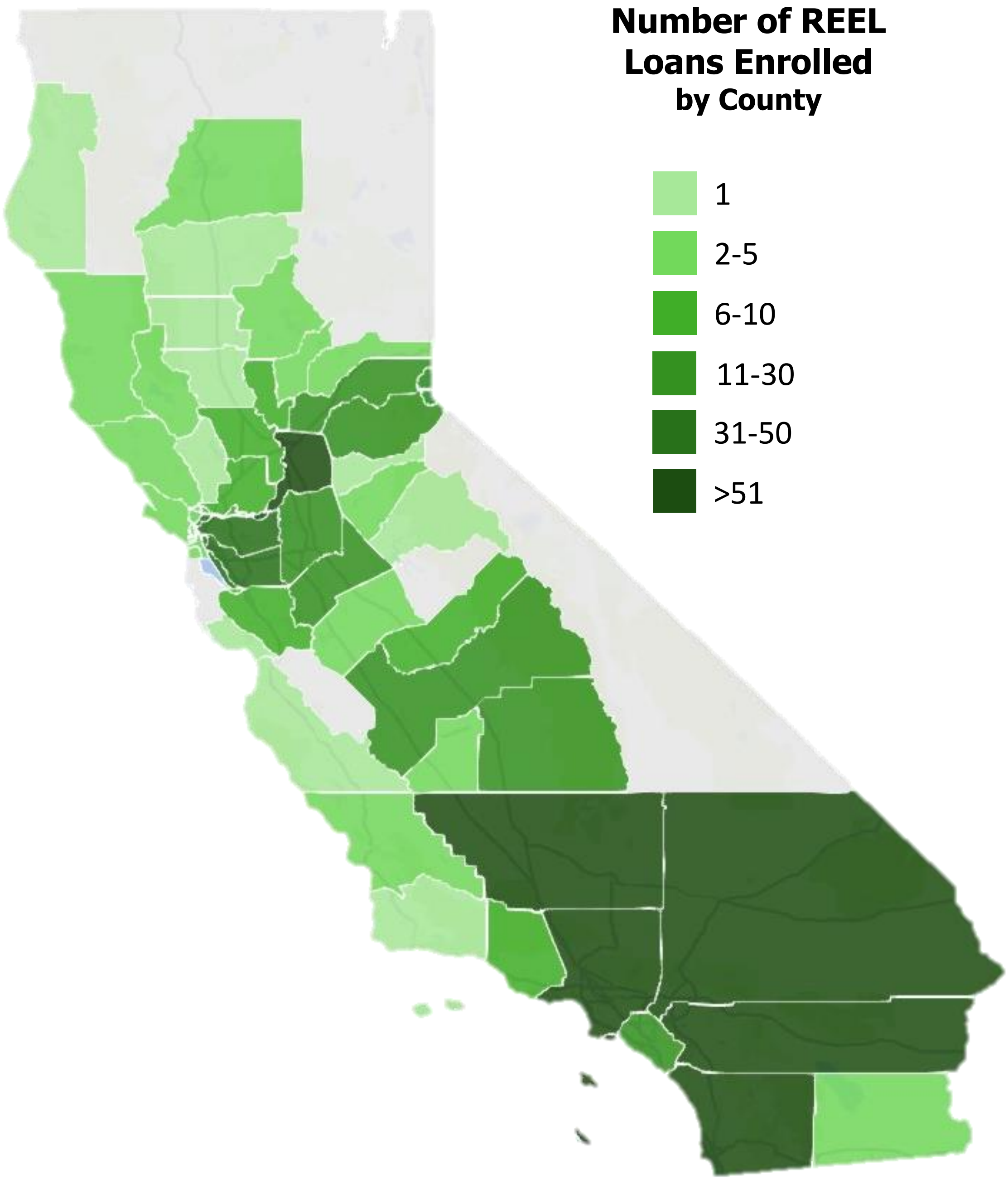
Contractor Outreach – The Contractor Manager focused on COVID-19 in its monthly newsletters to enrolled REEL Contractors, pointing to resources from trusted agencies including the State Treasurer's Office and the Small Business Administration. Further topics covered communicating with customers during the crisis and methods for ensuring workplace safety.

Sixteen new Contractors enrolled in REEL during Q2. As expected, this represented a lower number of new Contractor enrollments than in prior quarters; Q1 2020 saw the enrollment of 31 new contractors. The Contractor Manager also conducted a routine check of enrolled Contractors' CSLB license statuses and business closures, which resulted in the removal of 15 Contractors from the Program. This brought the total number of Contractors enrolled in the Program to 434 by the end of Q2.

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

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 Q2 2020.



REEL Portfolio Facts and Figures
(Program Inception through Q2 2020)

$12,516,845
Total Amount Financed

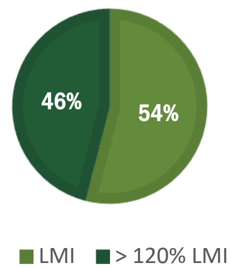
727
Total Loans Enrolled

$1,853,311
Total Loan Loss Reserve Contributions

82%

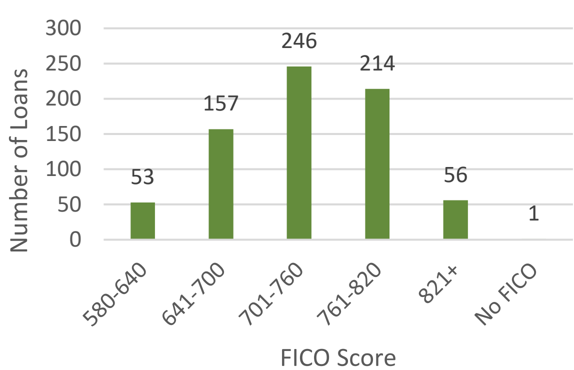
Finance-Only Projects
Cases in which borrower made upgrades using REEL without a rebate or incentive

Percentage of Loans Made to Upgrade Properties in LMI Census Tracts[3]

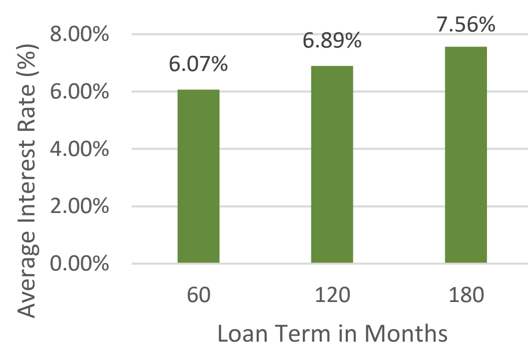


REEL Borrower Data

REEL Borrower Credit Scores

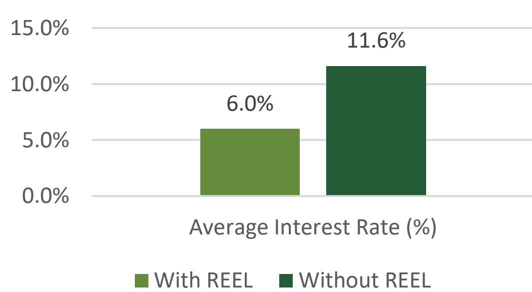


REEL Average Interest Rate by Term Length

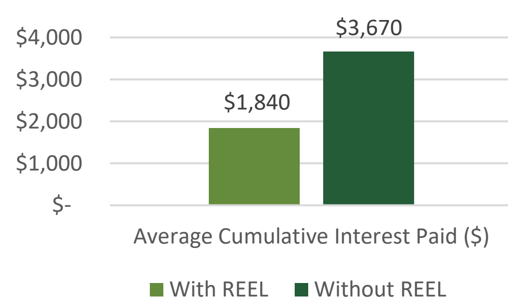


Financing Comparison: Borrower Outcomes With vs. Without REEL

Average Interest Rate
for terms up to 60 months[4]



Cumulative Average Interest Paid
for terms up to 60 months[4]



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[3] Low-to-Moderate Income (LMI) census tracts are those with median family incomes <120% of Area Median Income.
[4] 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.

Table 4. Summary of REEL Loans with Status of Paid in Full, Current or Past Due through June 30, 2020

	Number of Loans	Original Claim-Eligible[5] Funded Amount	Claim-Eligible Outstanding Amount
Paid in Full	**109**	**$1,667,981**	**$0**
California Coast Credit Union	64	$942,030	$0
Desert Valleys Federal Credit Union	4	$32,469	$0
Eagle Community Credit Union	2	$30,193	$0
First US Community Credit Union	2	$18,261	$0
Matadors Community Credit Union	37	$645,028	$0
Current	**604**	**$10,564,040**	**$9,236,833**
California Coast Credit Union	324	$5,379,851	$4,655,986
Desert Valleys Federal Credit Union	17	$338,130	$291,092
Eagle Community Credit Union	7	$130,275	$108,860
First US Community Credit Union	33	$465,195	$421,345
Matadors Community Credit Union	197	$3,887,504	$3,441,018
Pasadena Service Federal Credit Union	3	$55,824	$52,746
Valley Oak Credit Union	23	$307,261	$265,786
30 Days Past Due	**3**	**$30,148**	**$22,033**
Matadors Community Credit Union	3	$30,148	$22,033
Total	**716**	**$12,262,169**	**$9,258,866**

Table 5. Summary of REEL Charge-Offs, Claims Paid and Recoveries through June 30, 2020

	Number of Loans	Claim-Eligible Outstanding Amount	Charge-Off Amount at Time of Claim	Claims Paid[6]	Recoveries Paid to Program
Charged Off	**11**	**$213,052**	**$237,233**	**$213,509**	**($20,691)**
California Coast Credit Union	10	$201,471	$225,652	$203,086	($20,691)
First US Community Credit Union	1	$11,581	$11,581	$10,423	$0
Net Credit Enhancement Funds Expended *(claims paid minus recoveries)*					**$192,818**

[5] 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.

[6] 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

2
New Projects Enrolled
(Q2 20)

6
Total Projects Enrolled
(since program inception)

$1,470,854
Total Amount Financed
(since program inception)

51
Enrolled Contractors and
Project Developers

3
Participating Finance
Companies

Updates

Two new projects were completed and enrolled in the SBF Program in Q2 2020, bringing the total amount financed since program inception (July 30, 2019, the date of the Program's first financing enrollment) to $1.47 million. One enrolled project included a whole-building HVAC replacement and automation system in an office building in San Diego County. The second enrolled project included over $25,000 in lighting measures and was installed at a minority-owned market in San Joaquin County. In addition to these enrolled projects, the quarter closed with four projects in the pre-approval phase, three of which were submitted for pre-approval in Q2 and one that was submitted and pre-approved in Q1.

CHEEF staff continued to explore opportunities to foster longer-term deal flow, including efforts to engage with high-volume project developers and third-party program implementers who administer energy efficiency programs on behalf of the IOUs across the state. CHEEF staff also proceeded with efforts to recruit a microlender to provide financing for projects below $10,000. Recruitment was hampered by the fact that many potential partners shifted their focus to immediate COVID-19 relief efforts during Q2, but the outreach yielded important insights into the needs of small businesses post-pandemic.

Continuing efforts to integrate SBF with utility programs, staff finalized materials designed to help Contractors and Project Developers understand how to effectively explain the differences between SBF and the utilities' On Bill Financing (OBF) programs to their customers. Marketing from both the Marketing Implementer and the IOUs remained paused for the SBF Program, and as a result, website traffic to the SBF Program pages on GoGreenFinancing.com decreased significantly in Q2, alongside declines across the website as a whole. Traffic to the SBF Program landing page in Q2 was limited to 350 visitors.

A section from a flyer comparing SBF and OBF for Contractors and Project Developers

Challenges

Few new project enrollments and poor marketing performance reflect the significant impacts of the COVID-19 pandemic on small businesses. Shelter-in-place orders and public safety guidelines led to immediate business closures across the state in Q2, and many of the remaining businesses struggled to stay afloat in these difficult circumstances. As demonstrated by the sweeping influx of applications for federal relief programs, including SBA disaster loans and the Paycheck Protection Program, small business owners are focused on maintaining their current operations. Staff suspects that those business owners who are managing to operate effectively have even less bandwidth than usual to consider energy upgrades and that capital needs to go toward expenses far beyond energy upgrades, which drives businesses toward other types of financing.

In response to the COVID-19 and economic crises, the Contractor Manager conducted surveys of enrolled SBF Contractors and Project Developers to assess impacts on their businesses and sent newsletter communications to enrolled Contractors and Project Developers focused on resource-sharing and workplace safety for the duration of the quarter. CHEEF staff predict a continued slowdown in SBF Program uptake during this crisis.

Table 6. SBF Finance Agreement Status by Lender as of June 30, 2020

	Finance Agreements Enrolled	Total Amount Financed
Alliance Funding Group	0	$0
Ascentium Capital	3	$342,641
DLL Financial Solutions Partner	3	$1,128,213

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

Image from GoGreen Financing digital campaign

Affordable Multifamily Energy Efficiency Financing (AMF) Program

Updates

In Q2, staff continued to focus on capacity-building by furthering outreach with stakeholders and completing the rulemaking process (see below for a detailed update on rulemaking). CAEATFA staff continued efforts to recruit a Finance Company able to provide a product with a lower dollar minimum than the currently available $250,000 project minimum. Conversations also continued with land trust property owners to understand their unique challenges in making energy upgrades. The Program was featured in a Solar on Multifamily Affordable Housing (SOMAH) webinar aimed at affordable multifamily property owners.

Challenges

CAEATFA staff continued to work through challenges associated with matching the Program's available financing to the needs of the market in Q2, focusing on recruiting a small-ticket lease provider to the Program. Staff worked to help potential lenders without experience in the affordable multifamily market gain an understanding of the industry while being mindful of the very limited time and resources available on the part of property owners to support these inquiries.

Rulemaking

The rulemaking process for the AMF Program was completed in Q2. Staff modified the regulations with explicatory edits, including clarifying the eligibility of the service agreement model. CAEATFA staff finalized a staff summary and presented the proposed AMF regulations at the CAEATFA Board meeting in April; the Board voted to approve the regulations. CAEATFA staff then submitted a Certificate of Compliance to the Office of Administrative Law (OAL). The regulations were approved and filed with the Secretary of State on June 17, 2020, thus formalizing the program rules initially authorized under emergency regulations and completing the regular rulemaking process.

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 that 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 2020, CAEATFA staff made the decision in 2019 to redirect 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.

In Q2 2020, the Master Servicer continued testing of OBR functionality with SCE in preparation for the launch of OBR later this year. The other utilities are in various stages of readiness for OBR, with SDG&E system testing planned for Q4 2020. CAEATFA staff continued work on OBR regulations development and analysis of changes needed to the existing OBR tariffs.

CHEEF Infrastructure

IOU Receivables Contract

In June, the CAEATFA Board approved the extension of an existing receivables contract, or implementation agreement, between CAEATFA and the IOUs through FY 2022. CAEATFA's administrative costs for implementing the Hub are funded through this agreement, initially executed in 2014. The previous agreement expired on June 30, 2020. The new agreement increases the total not-to-exceed amount of the contract to $23.06 million from $15.36 million, in line with CPUC Resolution E-5072, which authorized CAEATFA to shift $7.7 million of CHEEF funds for administrative purposes during FY 20-22, should it be needed. (See section on Resolution E-5072 in the REEL section on pages 8-9). The associated reimbursement and expenditure authority was included in the Budget Act of 2020.

Master Servicer Solicitation and Contract Award

A new contract for the CHEEF's Master Servicer was awarded to Concord Servicing Corporation. In April, CAEATFA released an RFP soliciting services for a Master Servicer to implement key components of the CHEEF including receiving and enrolling financings from participating financial institutions, verifying borrower, project and financing eligibility; on-bill repayment servicing; and providing comprehensive program reporting to CAEATFA, the IOUs, Contractor Manager and the Marketing Implementer.

Staff developed an evaluation process and notified the public of the intent to award the contract to Concord Servicing Corporation on June 16. The CAEATFA Board approved the contract at the June 16 Board meeting, and the contract is currently with the Department of General Services for approval. It is expected to take effect in Q3 2020. The initial contract term will be for two years with a not-to-exceed amount of $3.5 million, after which CAEATFA may choose to execute two (2) one-year extensions valued at $1 million each, for a total contract term of up to four years. The contract amount of $5.5 million is larger than previous contracts and is, by design, established to accommodate a longer contract time period, infrastructure investment to modernize and update the collection of information from users, potential expansion to support future pilot growth and potential further automation and expansion of on-bill repayment functionality.

Given the current economic uncertainty and recovery from COVID-19, CAEATFA, in alignment with all other state agencies, will make best efforts to reduce costs and identify efficiencies as the state works to stimulate and support increased economic activity and green infrastructure investment.

Concord is the current Master Servicer, having worked with CAEATFA since 2015 on the process, design, and implementation of the first Pilot Programs.

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. 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 regulations were approved by the Office of Administrative Law (OAL) and went into effect on June 17, 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

Organization	Concord Servicing Corporation
Duties	The Master Servicer plays a key role in the daily administration of the programs, accepting loan enrollment applications and processing on-bill repayment transactions.
Contract Term	1/1/18 – 12/31/20
Notes	Concord Servicing Corporation was awarded a new Master Servicer contract following a solicitation process in June 2020. The new contract is expected to take effect in Q3. The previous contract will be terminated prior to the new contract taking effect.

Trustee Bank

Organization	US Bank
Duties	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.
Contract Term	1/8/18 – 12/31/20
Notes	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

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

Marketing Implementer

Organization	Center for Sustainable Energy
Duties	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.
Contract Term	10/20/17 – 9/30/20
Notes	The CPUC's 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.

Data Manager

Organization	TBD
Duties	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.
Contract Term	TBD
Notes	TBD

Technical Advisors

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

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

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 June 30, 2020, CAEATFA had expended $11,405,252 of the $15.36 million allocated for Hub Administration, Direct Implementation, and Marketing, Education, and Outreach. 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 June 30, 2020)

Item	Allocated	Expended	Balance
Hub Administration (CAEATFA) *Start-up costs, Hub administration, direct implementation, outreach and training*			
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[7]	$ 8,360,000		
1. Subtotal Hub Administration Costs (CAEATFA)[8]	$ **15,360,000**	**$ 11,405,252**	**$ 3,954,748**
Marketing, Education, Outreach (MEO)			
Statewide MEO plan[9]	$ 8,000,000	$ 7,745,780	$ 254,220
2. Subtotal Marketing, Education, and Outreach[10]	**$ 8,000,000**	**$ 7,745,780**	**$ 254,220**
Credit Enhancement			
Initial Allocation per D.13.09.044	$ 42,900,000		
Earmarked by IOUs for Admin and Direct Implementation per PIPs[11]	$ (9,863,976)		
3. Subtotal Credit Enhancement Funds Allocated after IOU Admin[12]	**$ 33,036,024**	**$ 192,818**	**$ 32,843,206**
Funds currently encumbered[13]	$ 1,689,741		
IOU Administration *Start-up costs, On Bill Repayment (OBR) build-out, direct implementation*			
Admin, General Overhead and Direct Implementation per PIPs	$ 9,863,976		
IT Costs	$ 8,000,000		
4. Subtotal IOU Administration[14]	**$ 17,863,976**	***(TBD)***	***(TBD)***
Hub Pilot Reserve			
5. Subtotal Remaining Reserve[15]	**$ 984,931**	**-**	**-**
Total: 1, 2, 3, 4, 5	**$75,244,931**	**$19,343,850**	**$37,052,174**

***Note:** Quarterly expenditures are based on good faith estimates due to a lag in invoice submittals.

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[7] 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

[8] Quarterly expenditures are based on good faith estimates due to a lag in invoice submittals.

[9] The contract for the statewide marketing implementer is administered by SoCalGas. Numbers reflect data reported to CAEATFA.

[10] 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.

[11] Program Implementation Plans (PIPs) were filed by IOUs and CHEEF in 2014 and 2015.

[12] Resolution E-5072 allows CAEATFA to re-allocate up to $7.7 million of Credit Enhancement funds for administrative purposes should funding become exhausted before a new long-term budget is allocated by the CPUC. Credit enhancement expenses consist of $192,818 paid out in claims to REEL lenders. See table 5 for details.

[13] Includes contributions to Finance Company loss reserve accounts net of claims paid and net of funds recaptured through annual rebalances.

[14] 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.

[15] This amount reflects the remaining balance after the release of reserve funds to CAEATFA reflected in Subtotal 1.

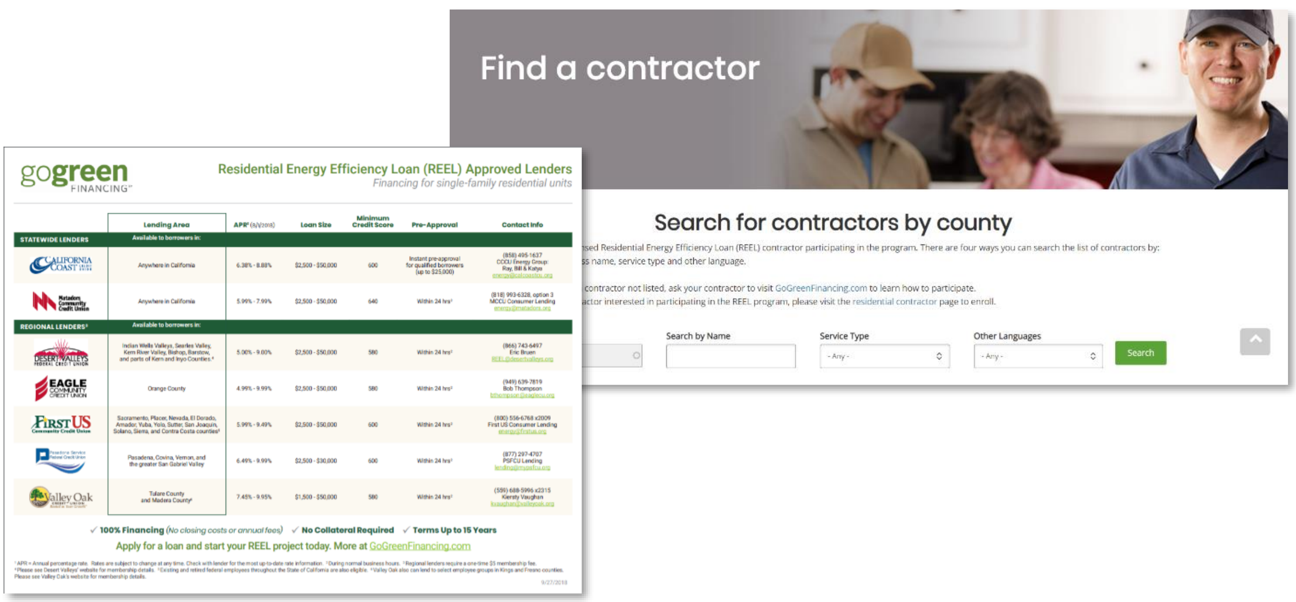
Appendix 4: Customer-Facing Products

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) 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



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 04/01/2020	$740.38	$729.47	$728.70	$734.14
Release of Credit Enhancement (CE) Funds from IOUs[16]	$250,000.00	--	$250,000.00	$250,000.00
Transfer of Funds to REEL Program Account	($250,000.00)	--	($250,000.00)	($250,000.00)
Interest Accrued	$0.06	$0.05	$0.05	$0.05
Ending Balance 06/30/2020	$740.44	$729.52	$728.75	$734.19

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 04/01/2020	$193,608.97	$0.00	$6,277.46
Credit Enhancement (CE) Funds Released from IOUs	$750,000.00	$0.00	$0.00
Contributions to Lender Loss Reserve Accounts	($171,713.20)	$0.00	$0.00
Interest Sweep	$0.00	$0.00	$104.73
Ending Balance 06/30/20	$771,895.77	$0.00	$6,382.19

[16] In June, CAEATFA requested each IOU to release $250,000 of CE funds for the REEL Program. PG&E's fund release was received in July and will be reflected in Q3 report.

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 04/01/2020	$628,388.02	$604,857.79	$35,200.77	$40,697.19	$25,998.55	$7,206.09	$71,224.42
Claims Paid	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Loss Reserve Contributions	$87,407.61	$56,431.94	$15,780.30	$4,985.67	$0.00	$2,000.00	$5,107.68
Ending Balance 06/30/2020	$715,795.63	$661,289.73	$50,981.07	$45,682.86	$25,998.55	$9,206.09	$76,332.10

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 04/01/2020	$340,876.29	$795.23
Contributions to Loss Reserve Accounts	($55,754.20)	$0.00
Interest Sweep	$0.00	$25.68
Ending Balance 06/30/2020	$285,122.09	$820.91

Table 12. Balance of SBF Lender Loss Reserve Accounts[17]

	Ascentium Capital	DLL Financial Solutions Partner
Beginning Balance 04/01/2020	$30,853.64	$28,270.07
Contributions to Loss Reserve Accounts	$5,113.60	$50,640.60
Ending Balance 06/30/2020	$35,967.24	$78,910.67

[17] Loss reserve accounts exist for SBF's three participating Finance Companies. Account activity will be reported for the third Finance Company upon enrollment of its 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 receives 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 Q2 20
California Coast Your best interest.	September 2016	Statewide	185,000	398	33
Desert Valleys Federal Credit Union	September 2016	Inyo, Kern, San Bernardino	4,000	21	3
Eagle Community Credit Union	March 2018	Orange	20,000	9	0
First US Community Credit Union	June 2018	12 in Northern California	25,000	36	3
Matadors Community Credit Union	March 2016	Statewide	20,000	237	18
Pasadena Service Federal Credit Union	April 2018	Pasadena, statewide federal employees	11,000	3	1
Valley Oak Credit Union Rooted in Your Growth	August 2015	Madera, Tulare, specific employer groups in Kings & Fresno	6,700	23	6

Table 14. Participating SBF Finance Companies

	Date Enrolled in SBF	Products Offered	Financing Limits	Total SBF Projects Enrolled
AFG Alliance Funding Group	May 2019	Equipment leases	$10,000 - $5 million	0
ascentium Capital	March 2019	Equipment finance agreements	$10,000 - $2 million	3
dLL financial solutions partner	March 2019	Equipment leases, service agreements, loans	$10,000 - $5 million	3

Table 15. Participating AMF Finance Company

	Date Enrolled in AMF	Products Offered	Financing Limits	Total AMF Projects Enrolled
RENEW 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

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Residential Energy Efficiency Loan (REEL) Approved Lenders

Financing for single-family residential units

	Lending Area	APR[1] (04/28/2020)	Loan Size	Minimum Credit Score	Pre-Approval	Contact Info
STATEWIDE LENDERS	**Available to borrowers in:**					
California Coast Credit Union	Anywhere in California	4.48% - 7.48% 3.48% - 4.48% for loans $2,500 - $30,000 [2]	$2,500 - $50,000	600	Instant pre-approval for qualified borrowers *(up to $25,000)*	(858) 495-1637 CCCU Energy Group: Ray, Zak, Bill & Katya energy@calcoastcu.org
Matadors Community Credit Union	Anywhere in California	3.99% - 5.99%[3]	$2,500 - $50,000	580	Within 24 hrs[4]	(818) 993-6328, option 3 MCCU Consumer Lending energy@matadors.org
REGIONAL LENDERS[5]	**Available to borrowers in:**					
Desert Valleys Federal Credit Union	Indian Wells Valleys, Searles Valley, Kern River Valley, Bishop, Barstow, and parts of Kern and Inyo counties[6]	4.00% - 8.00%	$2,500 - $50,000	580	Within 24 hrs[4]	(866) 743-6497 Eric Bruen REEL@desertvalleys.org
Eagle Community Credit Union	Orange County	4.99% - 8.12%	$2,500 - $50,000	580	Within 24 hrs[4]	(949) 639-7819 Bob Thompson bthompson@eaglecu.org
First US Community Credit Union	Sacramento, Placer, Nevada, El Dorado, Amador, Yuba, Yolo, Sutter, San Joaquin, Solano, Sierra, and Contra Costa counties[7]	4.99% - 7.49%[3]	$2,500 - $50,000	600	Within 24 hrs[4]	(800) 556-6768 x2009 First US Consumer Lending energy@firstus.org
Pasadena Service Federal Credit Union	Pasadena, Covina, Vernon, and the greater San Gabriel Valley	6.40% - 8.10%	$2,500 - $30,000	600	Within 24 hrs[4]	(877) 297-4707 PSFCU Lending lending@mypsfcu.org
Valley Oak Credit Union	Tulare County and Madera County[8]	5.62% - 8.12%	$1,500 - $50,000	580	Within 24 hrs[4]	(559) 688-5996 x2315 Kiersty Vaughan kvaughan@valleyoak.org

✓ **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

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

04/28/2020

Table 17. Enrolled SBF Finance Company Product Features

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Small Business Financing (SBF) Participating Finance Companies

	ascentium CAPITAL	dLL financial solutions partner	AFG Alliance FUNDING GROUP
	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 Up to 84 months if required for project cashflow	12 - 84 months Up to 120 months if required for project cashflow	24 - 120 months $50,000 minimum required for 60+ months
Document fees	$195 ($295 if prefunding)	$125 ($225 if financing more than $250,000)	$395
WHAT CAN BE FINANCED			
Energy efficiency & demand response	✓	✓	✓
Soft costs	✓	✓	✓
Nonenergy saving measures	✓	✓[X]	✓[X]
Distributed generation & battery storage	✓	✓	
CUSTOMER ELIGIBILITY			
Tenant occupants permitted	✓	✓[T]	✓[TZ]
Minimum months in business	12 months (up to $100,000) Greater amounts require 18+ months in business	18 months	Varies Please inquire for details
FEATURES			
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	■ Prefunding up to 95% of financed amount for contractors that satisfy a credit check	■ Progress payments or escrow funding for contractors who pass credit checks ■ DLL can bill for and collect regular service and maintenance charges for contractor	■ Cannabis grow operations may qualify ■ Lease reamortization option after 5 years
Contact	**Josh Patton** (281) 902-1969 joshpatton@ascentiumcapital.com Ascentium.info/GoGreen19	**Matt Singer** (484) 688-4644 msinger@leasedirect.com	**David Goldstein** (714) 450-1026 dgoldstein@alliancefunds.com

*Service agreements require a minimum of $50,000 and at least a 36-month term. [X]Up to 30% of claim-eligible amount. [T]If financing term is less than or equal to time remaining on occupancy lease. [Z]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

	California Coast	Matadors Community Credit Union	Valley Oak Credit Union	Desert Valleys Federal Credit Union	Eagle Community Credit Union	FirstUS Community Credit Union	Pasadena Service Federal Credit Union
	STATEWIDE LENDERS		**REGIONAL LENDERS**				
Interest Rate	Reduction ranged from 840 - 1640 bps[18]	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[19]	No change from existing 580[16]	No change from existing 580[16]	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 $15,000 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 June 30, 2020.							

[18] 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%

[19] 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 attractive financing for energy investments throughout California, including for underserved borrowers—and not. The table below demonstrates the impact of the credit enhancement in several scenarios:

BORROWER…	**Without REEL**	**With REEL**
…with a credit score of 580	Borrower would be **unlikely to qualify** for a personal loan.	Borrower may qualify for a REEL loan with **a term of 5, 10 or 15 years**, paying an interest rate as low as 3.99% for a 5-year term and 5.99% for 15 years.
…wanting a 5-year repayment term	Assuming a credit score of 700, borrower could likely take out a personal loan, paying the **nationwide average of 12.3%**[20]. The resulting payment on a $25,000 loan would be **$560 per month.** Borrower may not be able to afford the high monthly payment.	Borrowers with credit scores of 580 and above would likely qualify for a REEL loan, with interest as little as 3.99% for a 5-year term. Borrower's payment on this loan would be **$460 each month**, a $100 monthly savings from a standard unsecured personal loan.
…wanting a 15-year repayment term	Unsecured personal loans with 15-year terms are **unavailable in today's market**.	Borrower can spread out monthly payments up to 15 years with a REEL loan, making a $25,000 loan with a 15-year term rate of 5.99% only **$211 per month**. Borrower would save $349 monthly compared to a 5-year unsecured personal loan.

This means that for a borrower with a **credit score of 700, seeking $25,000** for home energy upgrades:

	Without REEL	**With REEL**
Financing Product	Unsecured personal loan	REEL loan
Interest Rate	12.3%	5.99%
Term Length	5 years	15 years
Monthly Payment	**$560**	**$211**

[20] Credit Union National Association Monthly Credit Union Estimates, May 2020