CHEEF

CALIFORNIA HUB FOR ENERGY EFFICIENCY FINANCING

ENERGY EFFICIENCY FINANCING PILOTS

QUARTERLY REPORT & PROGRAM STATUS SUMMARY

THIRD 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 and metrics under which the financing pilot 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 – Q3 2020

Virtual Program Outreach Continues

With COVID-related restrictions on in-person meetings and conferences in full effect in Q3 2020, CHEEF staff focused on targeted outreach through virtual channels across all programs. Staff participated in webinars hosted by State Treasurer Fiona Ma for regional small business organizations, delivered a presentation at a knowledge exchange event hosted by the California Energy Commission, led a webinar and panel discussion as part of the annual Statewide Energy Efficiency Collaborative Forum, and joined multiple virtual conferences focused on the affordable multifamily sector.

Residential Energy Efficiency Loan (REEL) Assistance Program Developments

- **REEL lenders enrolled 183 loans in Q3, the highest quarterly figure to date for the Program**. This represents a 186% increase in enrollments over Q2 and a 97% increase over Q3 loans in 2019. Californians have financed $15 million in energy upgrades across 910 projects through the REEL Program.

Small Business Energy Efficiency Financing (SBF) Program Developments

- **One new project was enrolled in the SBF Program in Q3.** The finance agreement was issued to a small tenant-occupant business in San Bernardino County. Three projects remained in the pre-approval phase through Q3.
- **Staff revamped outreach and engagement efforts.** In response to persistent challenges presented by the COVID crisis, CHEEF staff made progress toward rethinking contractor recruitment efforts and monitored the IOUs' third-party program implementation contracting processes to ensure that third-party implementers would be able to access SBF financing once contracts are awarded.

Affordable Multifamily Energy Efficiency Financing (AMF) Program Developments

- **CAEATFA approved a new lender and financing product for the AMF Program.** Ascentium Capital, a participating finance company in the SBF Program, will now offer equipment finance agreements of up to $250,000 for upgrades to affordable multifamily properties. This complements the existing AMF product from Renew Energy Partners, which offers energy service agreements starting at $250,000.

CHEEF Infrastructure and On-Bill Repayment (OBR) Developments

- **The CPUC opened a Proceeding on clean energy financing Proceeding.** The Order Instituting Rulemaking to Investigate and Design Clean Energy Financing Options for Electricity and Natural Gas Customers (R. 20-08-022) will broadly consider financing strategies for clean energy and provide long-term direction on the CHEEF Programs, following the release of Resolution E-5072 in Q2 2020 that approved the transition of REEL from a pilot to a full-scale Program.
- **The contract for the Master Servicer was approved** by the Department of General Services (DGS) on September 11 and awarded to Concord Servicing Corporation, which has held this role since 2018.
- **The contract for the Marketing Implementer was renewed** by SCG, which holds the contract for marketing services for the Programs.
- **OBR testing continued.** The Master Servicer and SDG&E agreed to a system testing timeline set to begin in Q4 2020, which will ensure proper data exchanges between the two companies.

REEL customer Juliana Maziarz in front of her Los Angeles home

The Residential Energy Efficiency Loan (REEL) Assistance Program

Key REEL Metrics – Q3 2020 (July 1-September 30, 2020)

183	$2,592,444	$14,166
New REEL Loans Enrolled	Amount Financed	Average Loan Size

Updates

Despite continued economic and public health challenges presented by the COVID-19 pandemic, new loan enrollments in the REEL Program soared in Q3. REEL lenders enrolled 183 new loans in Q3 2020, nearly double the amount enrolled in Q3 2019. This amount to over $2.5 million in energy upgrades financed, 66% more than the $1.5 million financed in Q3 2019.

Nearly two-thirds (64%) of REEL loans enrolled in Q3 were for projects completed on properties in Low-to-Moderate–Income (LMI) census tracts, an 8% increase above the Program lifetime average of 56%. Of the 183 loans enrolled in Q3, 20% were for projects completed on properties in Disadvantaged Communities as measured by CalEnviroScreen, a slight decrease from the Q2 total (25%) but aligned with the average amount since Program inception (18%).[3]

The average loan size this quarter was $14,166, reflecting a trend of smaller projects that began with the onset of the COVID crisis. This represents an overall decrease from the average loan size since Program inception ($16,604) and an 18% decrease from Q2 ($17,191). Of the 183 loans enrolled in Q3 2020, 23% of projects included installation of newer efficiency technologies: 20 projects included cool roofs and 22 included heat pumps or heat pump water heaters. This is a slight decrease from Q2, when 36% of projects installed cool roofs or heat pumps.

Finally, interest rates in the REEL Program remained at historic lows, with no changes among the seven participating lenders' rates for REEL customers. The average interest rate for loans issued in Q3 2020 was 5.2%, a 120-basis-point decrease from the average interest rate since Program inception (6.5%).

[3] CalEnviroScreen is a pollution burden mapping tool that uses environmental, health, and socioeconomic data to produce scores for every census tract in California; CAEATFA is reporting loans for properties in tracts scoring in the top quartile (75-100%) as loans for projects in disadvantaged communities. This data uses the most recent version of CalEnviroScreen available at the time of publication. In Q3 2020, CAEATFA revised its internal reporting mechanism to align with CalEnviroScreen's categorization of disadvantaged communities as those with scores within the 75-100% quartile; previously, CAEATFA had not included projects in tracts in the 75th percentile.

Table 1. Top 3 REEL Measure Types Installed – Q3 2020

HVAC 137 Projects	**BUILDING ENVELOPE** 66 Projects	**APPLIANCE** 9 Projects
		
Equipment and ductwork	Air sealing, insulation, cool roofs, windows, etc.	Washers and dryers, dishwashers, etc.

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

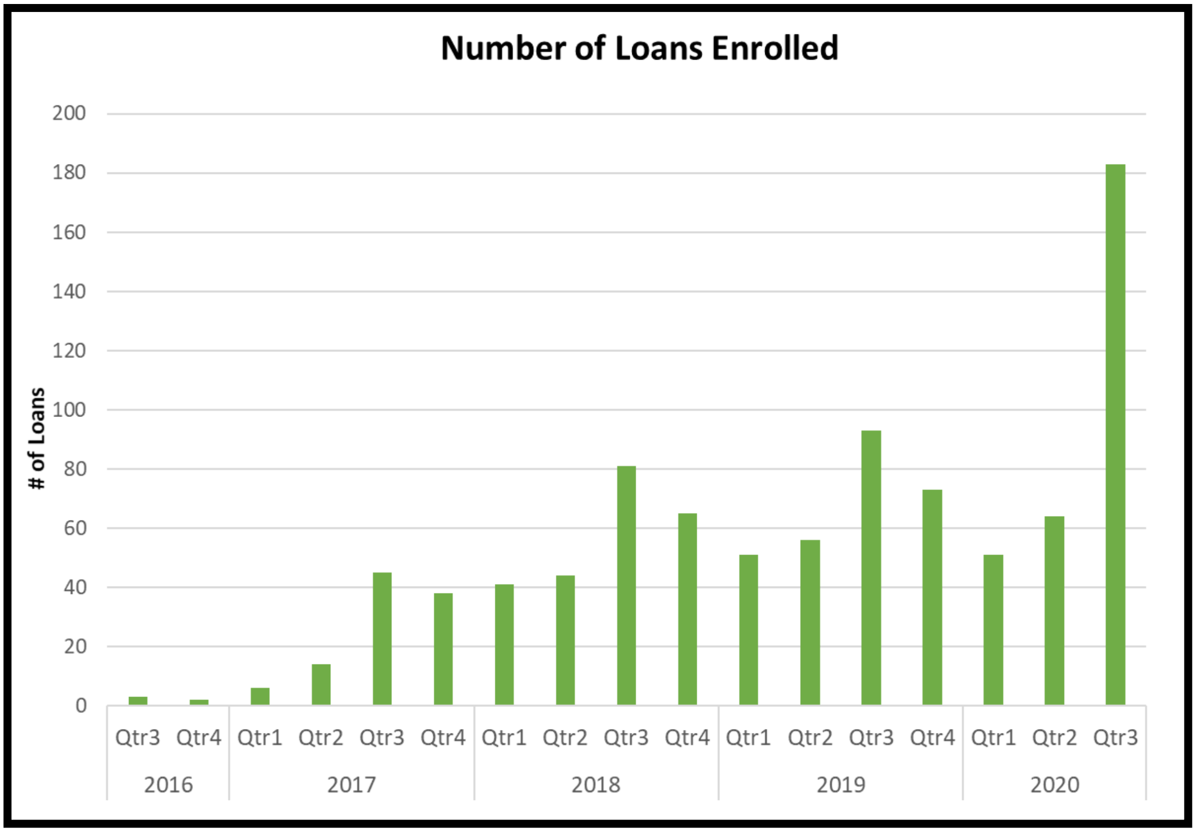


Table 3. REEL Loans Enrolled by Lender – Q3 2020

Lender	Loans Enrolled	Claim-Eligible Principal
California Coast Credit Union	103	$1,388,495
Desert Valleys Federal Credit Union	1	$22,000
Eagle Community Credit Union	0	$0
First US Community Credit Union	28	$370,537
Matadors Community Credit Union	48	$755,533
Pasadena Service Federal Credit Union	0	$0
Valley Oak Credit Union	3	$55,879

Outreach

Customer marketing efforts remained limited in the third quarter, and traffic to GoGreenFinancing.com remained correspondingly modest. The website received 23,745 visitors, a sharp decrease in total number of users from Q3 2019, which saw 67,070 users in the same time period. However, a recent trend of longer session duration continued: Q3 2020 saw an average session duration of more than 2.5 minutes, while Q3 2019 had an average user visit time of just over 1 minute.

Marketing efforts led by the Marketing Implementer and the IOUs were paused for the majority of the quarter, with the first new campaign since the onset of the COVID pandemic launched in September. This campaign was led by SCE and used digital ads and social media to promote SBF to utility customers (see the SBF Program section for more details). The Marketing Implementer continued its paid search advertising for the REEL and SBF programs and completed a marketing content package designed to align with COVID-19 reopening phases and crisis scenarios; the final product included messaging, digital ads, and social media posts. Translation of GoGreenFinancing.com into Spanish began, with completion and deployment expected in Q4. Both the Marketing Implementer and the IOUs plan to initiate additional marketing campaigns next quarter.

Screenshot of a GoGreen Financing Twitter post used in Q3 2020

In Q3, the Marketing Implementer began work towards hiring a subcontractor to enhance marketing strategies for the CHEEF Programs in coordination with CAEATFA staff and the IOU marketing leads. Within the existing marketing budget, the consultant will develop updated positioning and messaging for Program marketing efforts. The consultant's work will primarily focus on SBF, and more information on this activity can be found in the SBF section of this report (p. 13).

Finally, staff led a webinar as part of the 2020 Statewide Energy Efficiency Collaborative (SEEC) Virtual Forum, which included a panel with two participating REEL Lenders and one Contractor. Representatives from statewide cities and counties were in attendance, and follow-up conversations to discuss collaboration opportunities have been scheduled with several event registrants.

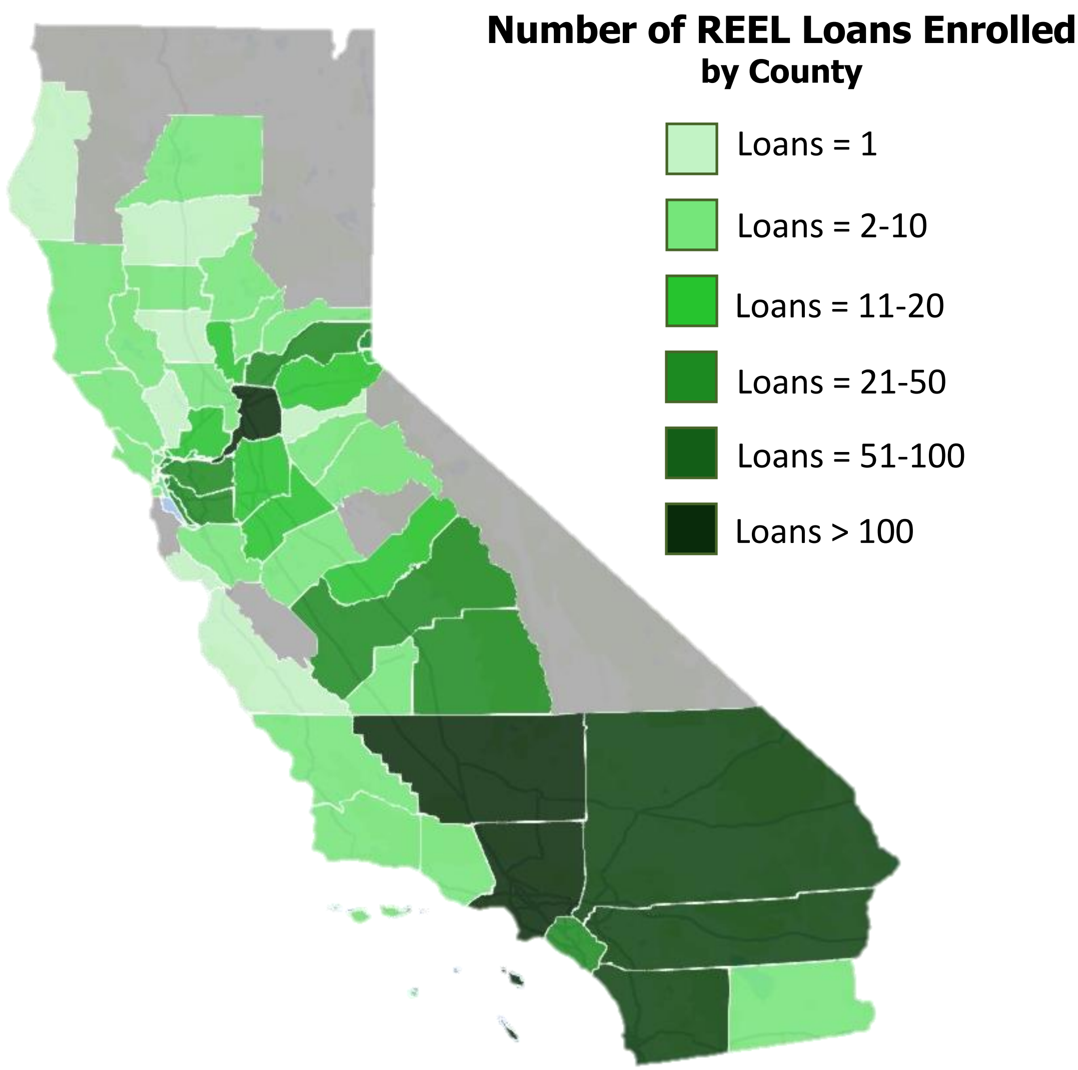
Contractor Outreach
A total of 464 contractors were enrolled in the REEL Program at the end of the third quarter. Over the course of the quarter, 40 new REEL Contractors joined in the Program, and 8 were suspended from enrolling new projects during routine quality checks for license status.

Outreach to REEL Contractors this quarter focused on business development and training opportunities during the COVID crisis.

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 Q3 2020.



REEL Portfolio Facts and Figures
(Program Inception through Q3 2020)

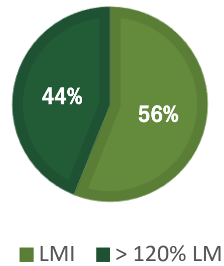
$15,109,289
Total Amount Financed

910
Total Loans Enrolled

$2,265,946
Total Loan Loss Reserve Contributions

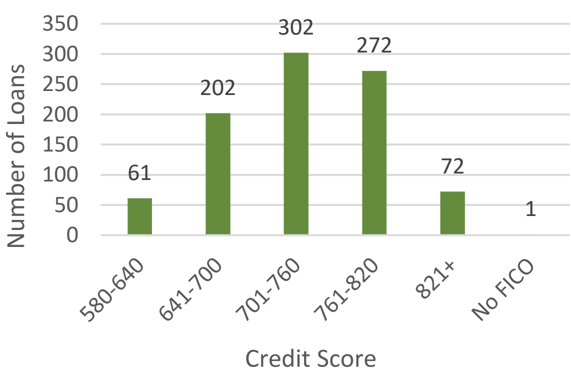
96% **Finance-Only Projects**
Cases in which borrower made upgrades using REEL without a rebate or incentive

Percentage of Loans Made to Upgrade Properties in LMI Census Tracts[4]

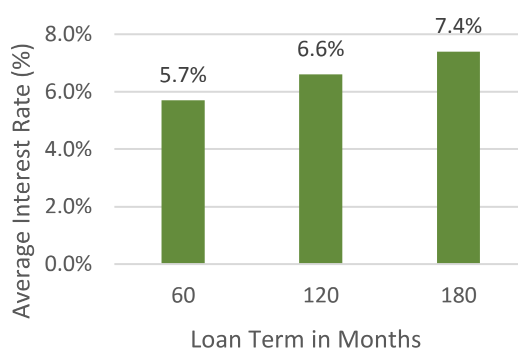


REEL Borrower Data

REEL Borrower Credit Scores

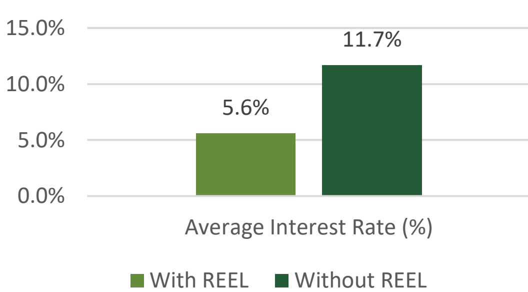


REEL Average Interest Rate by Term Length

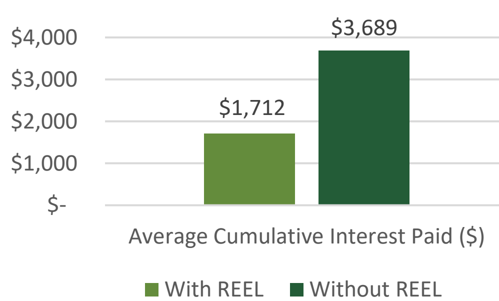


Financing Comparison: Borrower Outcomes With vs. Without REEL

Average Interest Rate
for terms up to 60 months[5]



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



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[4] Low-to-Moderate Income (LMI) census tracts are those with median family incomes <120% of Area Median Income.
[5] 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 Sep. 30, 2020

	Number of Loans	Original Claim-Eligible[6] Funded Amount	Claim-Eligible Outstanding Amount
Paid in Full	**146**	**$2,274,867**	**$0**
California Coast Credit Union	83	$1,174,780	$0
Desert Valleys Federal Credit Union	6	$72,209	$0
Eagle Community Credit Union	2	$30,193	$0
First US Community Credit Union	4	$40,694	$0
Matadors Community Credit Union	51	$956,989	$0
Current	**748**	**$12,518,074**	**$10,975,348**
California Coast Credit Union	403	$6,473,924	$5,601,257
Desert Valleys Federal Credit Union	16	$320,389	$276,905
Eagle Community Credit Union	7	$130,275	$104,970
First US Community Credit Union	59	$813,298	$746,679
Matadors Community Credit Union	234	$4,361,224	$3,882,856
Pasadena Service Federal Credit Union	3	$55,824	$52,113
Valley Oak Credit Union	26	$363,140	$310,567
30 Days Past Due	**1**	**$13,574**	**$12,126**
California Coast Credit Union	1	$13,574	$12,126
60 Days Past Due	**4**	**$48,098**	**$44,098**
California Coast Credit Union	4	$44,098	$44,098
Total	**899**	**$14,854,613**	**$11,031,572**

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

	Number of Loans	Claim-Eligible Outstanding Amount	Charge-Off Amount at Time of Claim	Claims Paid[7]	Recoveries Paid to Program
Charged Off	**11**	**$211,852**	**$237,233**	**$213,509**	**($20,691)**
California Coast Credit Union	10	$200,271	$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 paid to program)*					**$192,818**

[6] 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 financing components that are not claim-eligible. The claim-eligible principal differs from the total loan amount in these cases.

[7] 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 – Program Inception through Q3 2020

7	$1,479,104	62	3
Total Projects Enrolled	Total Amount Financed	Enrolled Contractors and Project Developers	Participating Finance Companies

Updates

One new project, an HVAC upgrade for a medical office in San Bernardino County, was enrolled in the SBF Program in Q3 2020. Three projects remain in the pre-approval phase, pending completion of their installations.

With the goal of ensuring that statewide financing options are available to help customers leverage other ratepayer-funded offerings, CAEATFA staff are working with the IOUs to coordinate with third-party implementers who will lead energy efficiency programs on their behalf in 2021 and beyond. Several contracts for these programs are expected to be announced in Q4. Staff intend to identify programs which would benefit from a financing option for customers, then collaborate with the implementers to integrate SBF into the programs' structures and encourage financing referrals.

Additionally, CAEATFA staff are developing long-term outreach plans to increase engagement with new contractors, project developers and small business industry groups in partnership with the Contractor Manager. Staff also conducted outreach to and research of the cannabis growing industry, as financing for cannabis growing and manufacturing is available through SBF.

Direct customer marketing for the Program resumed on a limited basis in Q3 2020, having been paused since the onset of the pandemic. SCE led a social media campaign and a series of digital ads promoting SBF, focused on the food service and manufacturing industries and using COVID-related imagery.

A digital ad provided to SCE for use in their digital ad campaign promoting SBF

Finally, CAEATFA staff are coordinating with the Marketing Implementer and the IOU marketing leads to bring a consultant onboard as a subcontractor to the Marketing Implementer who will focus on developing and improving marketing strategies for the Programs, with particularly emphasis on SBF. Within the existing marketing budget, the consultant will conduct a market research analysis of the small business sector to identify key customer segments and targeting methods, to be followed by development of updated positioning and messaging. The Marketing Implementer is expected to launch a request for proposals in October, and a vendor is expected to be selected by the end of Q4. Primary deliverables will be completed between Q1 and Q2 2021.

Challenges

The COVID crisis has had an enormous impact on small businesses in California and across the nation. More than 19,000 California businesses have permanently closed (in addition to the 20,000 that have temporarily closed), according to one analysis.[8] The small businesses that remain open are highly focused on ongoing operations as opposed to energy efficiency. While the improved cash flow from an energy efficiency project might benefit a business owner, many businesses need financing or government relief programs to assist with staying afloat. The severity and nature of the concerns facing small business owners in the midst of this crisis, along with a long pause in marketing, have limited uptake of the Program.

While CAEATFA staff have planned for years to coordinate with IOU energy efficiency customer programs, COVID has made these efforts even more crucial. The third-party implementers operating these programs may alleviate some of the pressure on small business owners and help them consider energy upgrades, as their programs often offer energy audits and concierge-style guidance.

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

	Finance Agreements Enrolled	Total Amount Financed
Alliance Funding Group	0	$0
Ascentium Capital	4	$350,891
DLL Financial Solutions Partner	3	$1,128,213

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

[8] Local Economic Impact Report, Yelp Economic Average, September 2020

Image from GoGreen Financing digital campaign

Affordable Multifamily Energy Efficiency Financing (AMF) Program

Updates

Ascentium Capital, a Finance Company also enrolled in the SBF Program, was approved for enrollment in the AMF Program and is now offering equipment finance agreements for energy retrofit projects between $10,000 and $250,000. The product, similar to a lease, complements the Program's existing energy service agreement product from Renew Energy Partners, for projects worth $250,000 to $10 million. Equipped with these two financing options, the Program is better positioned to serve a broader group of affordable multifamily properties and their needs.

To promote the new financing product, CAEATFA staff updated marketing materials for the Program for upcoming affordable housing industry conferences and continued outreach to Program partners. Staff virtually attended the Housing California Annual Conference and the Non-Profit Housing Association of Northern California Annual Conference. In Q4, staff will virtually attend the San Diego Housing Federation Annual Conference and the Southern California Association of Nonprofit Housing Annual Conference.

Challenges

The affordable multifamily industry still faces challenges to completing upgrades, in part due to complex debt structures and arduous project development processes. Effects of the COVID-19 economic fallout on the ability of affordable multifamily property owners to finance energy efficiency improvements through this Program has yet to be revealed. Now that the Program has two different financing product offerings, staff is planning a virtual forum for Q4 to introduce participating lenders to industry stakeholders, discuss their financing products, and answer questions.

While staff has made progress toward alleviating barriers to entry for the Program through new financing products, regulations updates, and significant amounts of outreach, there are limited opportunities to enroll the Program's first project by the end of the calendar year as required by the CPUC. With these challenges in mind, staff are considering whether an additional extension of the pilot would be beneficial to allow time for property owners to access the financing and to uncover additional lessons from implementation. CAEATFA staff will further address this possibility in Q4.[9]

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

[9] CPUC Decision 17-03-026 required all pilots to be launched by the end of 2019. In December 2019, the CPUC granted a 12-month extension of the AMF pilot through December 31, 2020.

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 was not yet developed, 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 CHEEF 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.

By the end of Q3, PG&E, SCE and SCG had all completed OBR system connectivity and data exchange testing with the Master Servicer, and SD&GE planned for system testing that is anticipated to begin in Q4. CAEATFA staff also worked with the IOUs on initial iterations of draft revisions to several key documents for OBR implementation, including an authorization to add charges to a utility bill and OBR Tariffs.

CHEEF Infrastructure

Contracting Updates

The Department of General Services (DGS) approved a new contract for the Master Servicer on September 11. The contract was awarded to Concord Servicing Corporation, which has worked with CAEATFA since 2015 on the process, design, and implementation of the Programs. CAEATFA staff sent a 30-day notice of cancellation for the current contract on September 21, and the new contract will go into effect in Q4. The new contract will have an initial term of two years, with a not-to-exceed amount of $3.5 million, after which CAEATFA may choose to execute two one-year extensions valued at $1 million each, for a total contract term of up to four years.

CAEATFA staff prepared a request for proposals for the Trustee Bank, which holds ratepayer funds provided by the IOUs to serve as credit enhancements under the various programs. The contract with the current Trustee Bank (US Bank) expires on December 31, 2020, and the RFP for this role will be issued in Q4.

SCG was authorized by Resolution E-5072 to extend the contract for the Marketing Implementer with the Center for Sustainable Energy; the current contract has been in place since 2017. CAEATFA staff supported development of a new scope of work for the Marketing Implementer to reflect changing marketing, education and outreach needs, including a strategy component described above (see page 13). The contract was extended through September 30, 2022 with an option for a 1-year extension. The annual budget of the contract is not to exceed $833,000. The contract for the Marketing Implementer is held by SCG and is not administered by CAEATFA nor represented in CAEATFA's administrative costs.

CPUC Launches Order Instituting Rulemaking on Clean Energy Financing

The CPUC has released a new Order Instituting Rulemaking (OIR) to investigate and design clean energy financing options for electricity and natural gas customers. The rulemaking will address statewide financing options for clean energy investments and, among other topics, provide long-term direction on the REEL Program's budget and administration. Resolution E-5072, released in April 2020, authorized the transition of REEL from a pilot to a full-scale Program. The OIR was released in September, and opening comments will be collected through the first week of Q4 2020.

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 provides:

1. A state-backed financing program designed to address the energy efficiency challenges faced by small business owners and tenants
2. Accessible and attractive financing options for small businesses
3. 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 finance 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 CHEEF 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	Following a solicitation process in June 2020, Concord Servicing Corporation was awarded a new Master Servicer contract, which will take effect in Q4. 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 Q4 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 is responsible for leading statewide marketing campaigns and administers GoGreen Financing, the customer-facing platform for information on CHEEF 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	10/1/20 – 9/30/22
Notes	The CPUC's Resolution on REEL approved continued marketing activity for the Hub Programs. SoCalGas, working closely with CAEATFA and the IOUs, contracted for continued marketing services via CSE in Q3. CSE's prior contract expired on 9/30/20. This contract has an option for a one-year extension.

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 September 30, 2020, CAEATFA had expended $11,941,887 of the $15.36 million allocated for Hub Administration, Direct Implementation, and Marketing, Education, and Outreach. CPUC 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.

Table 7. Budget for Hub Expenditures (September 2014 through September 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[10]	$ 8,360,000		
1. Subtotal Hub Administration Costs (CAEATFA)[11]	**$ 15,360,000**	**$ 11,941,887**	**$ 3,418,113**
Marketing, Education, Outreach (MEO)			
Statewide MEO plan[12]	$ 8,000,000	$ 7,954,727	$ 45,273
2. Subtotal Marketing, Education, and Outreach[13]	**$ 8,000,000**	**$ 7,954,727**	**$ 45,273**
Credit Enhancement			
Initial Allocation per D.13.09.044	$ 42,900,000		
Earmarked by IOUs for Admin and Direct Implementation per PIPs[14]	$ (9,863,976)		
3. Subtotal Credit Enhancement Funds Allocated after IOU Admin[15]	**$ 33,036,024**	**$ 192,818**	**$ 32,843,206**
Funds currently encumbered[16]	$ 2,041,124		
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[17]	**$ 17,863,976**	***(TBD)***	***(TBD)***
Hub Pilot Reserve			
5. Subtotal Remaining Reserve[18]	**$ 984,931**	**-**	**-**
Total: 1, 2, 3, 4, 5	**$75,244,931**	**$19,703,796**	**$36,306,591**

[10] 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

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

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

[13] 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.

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

[15] Credit enhancement expenses consist of $192,818 paid out in claims to REEL lenders. See table 5 for details.

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

[17] 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.

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

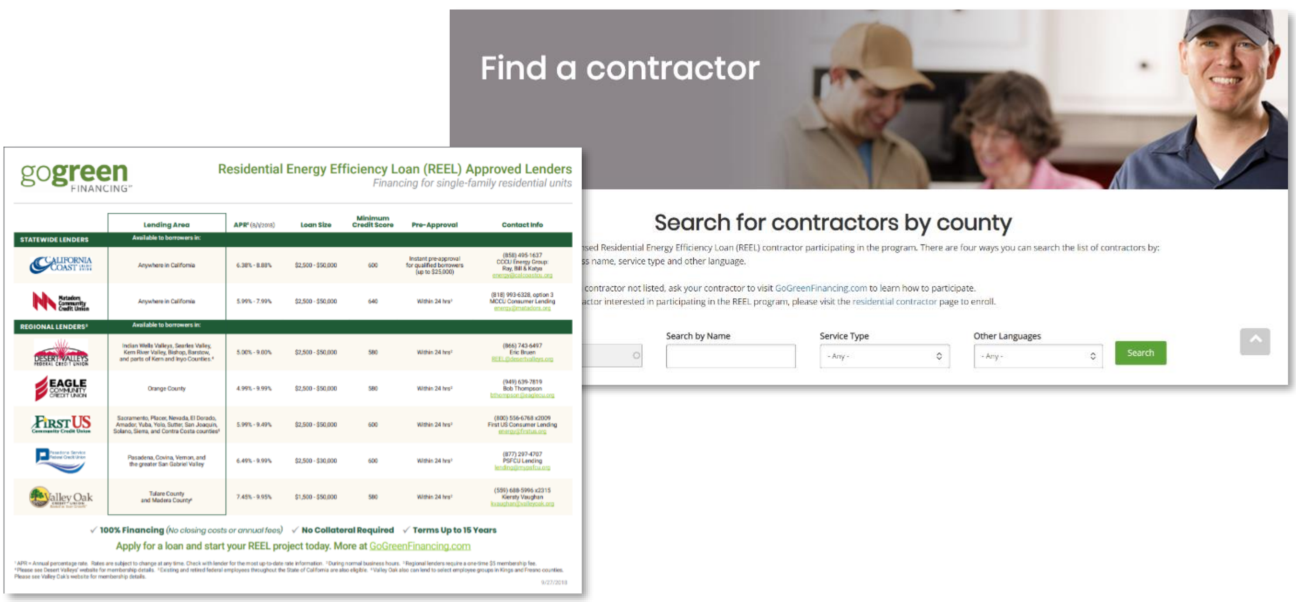
Appendix 4: Customer-Facing Products

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 07/01/2020	$740.44	$729.52	$728.75	$734.19
Release of Credit Enhancement (CE) Funds from IOUs[19]	$0.00	$250,000.00	$0.00	$0.00
Transfer of Funds to REEL Program Account	$0.00	($250,000.00)	$0.00	$0.00
Interest Accrued	$0.17	$0.29	$0.25	$0.17
Ending Balance 09/30/2020	$740.61	$729.81	$729.00	$734.36

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 credit enhance projects 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 Loan Loss Reserve (LLR) Account. 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 (07/01/2020)	$771,895.77	$0.00	$6,382.19
Credit Enhancement (CE) Funds Released from IOUs	$250,000.00	$0.00	$0.00
Contributions to Lender Loss Reserve Accounts	($412,635.55)	$0.00	$0.00
Funds Recaptured from Annual Rebalance	$62,902.29	$0.00	$0.00
Interest Sweep	$0.00	$0.00	$31.50
Ending Balance (09/30/20)	$672,162.51	$0.00	$6,413.69

[19] In June, CAEATFA requested that each IOU release $250,000 of CE funds for the REEL Program. SCE, SCG and SDG&E's funds were released in June and reflected in the Q2 report. PG&E's fund release was received in July.

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 07/01/2020	$715,795.63	$661,289.73	$50,981.07	$45,682.86	$25,998.55	$9,206.09	$76,332.10
Claims Paid	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Recaptured Funds from Annual Rebalance	$0.00	($55,820.12)	$0.00	($1,629.97)	($1,800.00)	$0.00	($3,652.20)
Loss Reserve Contributions	$222,132.81	$116,133.67	$11,175.80	$2,420.00	$0.00	$0.00	$60,773.27
Ending Balance 09/30/2020	$937,928.44	$721,603.28	$62,156.87	$46,472.89	$24,198.55	$9,206.09	$133,453.17

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 07/01/2020	$285,122.09	$820.91
Contributions to Loss Reserve Accounts	($1,650.00)	$0.00
Interest Sweep	$0.00	$5.52
Ending Balance 09/30/2020	$283,472.09	$826.43

Table 12. Balance of SBF Lender Loss Reserve Accounts[20]

	Ascentium Capital	DLL Financial Solutions Partner
Beginning Balance 07/01/2020	$35,967.24	$78,910.67
Contributions to Loss Reserve Accounts	$1,650.00	$0.00
Ending Balance 09/30/2020	$37,617.24	$78,910.67

[20] 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
- **2 participating AMF Finance Companies:** Ascentium Capital and 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 Q3 20
California Coast Your best interest.℠	September 2016	Statewide	185,000	501	103
Desert Valleys Federal Credit Union	September 2016	Inyo, Kern, San Bernardino	4,000	22	1
Eagle Community Credit Union	March 2018	Orange	20,000	9	0
First US Community Credit Union	June 2018	12 in Northern California	25,000	64	28
Matadors Community Credit Union	March 2016	Statewide	20,000	285	48
Pasadena Service Federal Credit Union	April 2018	Pasadena, statewide federal employees	11,000	3	0
Valley Oak Credit Union Rooted in Your Growth™	August 2015	Madera, Tulare, specific employer groups in Kings & Fresno	6,700	26	3

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	4
dLL financial solutions partner	March 2019	Equipment leases, service agreements, loans	$10,000 - $5 million	3

Table 15. Participating AMF Finance Companies

	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
ascentium Capital	September 2020	Equipment finance agreements	$10,000 - $250,000	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	Alliance FUNDING GROUP (AFG)
	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[21]	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[22]	No change from existing 580	No change from existing 580	Reduced from 640 to 600	No change from existing 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 September 30, 2020.							

[21] 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%

[22] 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.
…wants a 5-year repayment term	Assuming a credit score of 700, borrower could likely take out a personal loan, paying the **nationwide average of 10.3%**[23]. The resulting payment on a $25,000 loan would be **$535 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 $75 monthly savings from a standard unsecured personal loan.
…wants lowest monthly payment	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 $324 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	10.3%	5.99%
Term Length	5 years	15 years
Monthly Payment	**$535**	**$211**

[23] Credit Union National Association Monthly Credit Union Estimates, September 2020