



CHEEF CALIFORNIA HUB FOR ENERGY EFFICIENCY FINANCING

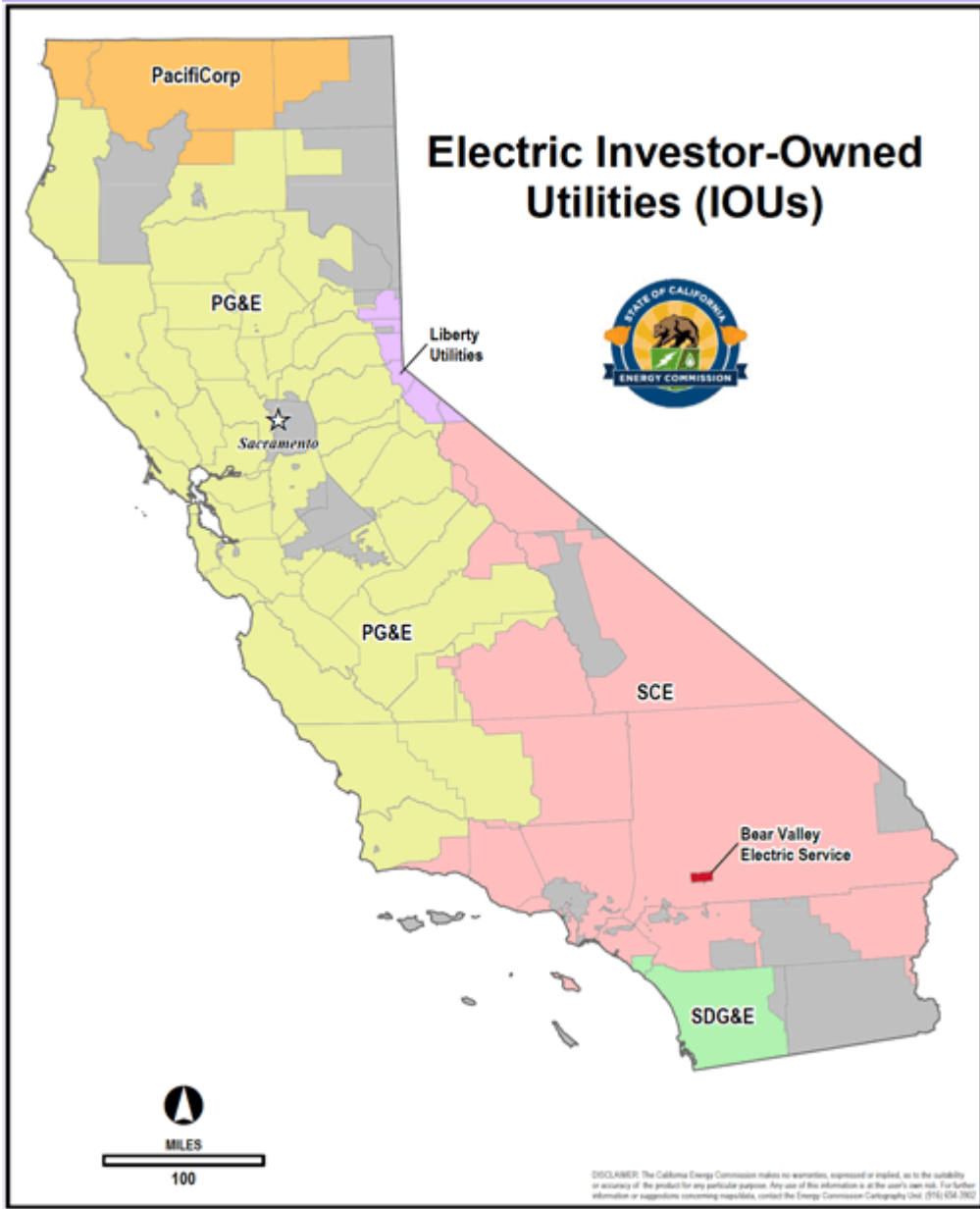
gogreen
FINANCING™

From 5 to 500

Overcoming barriers to increase loan volume in residential program

Financing pilot programs designed to bring third party capital to EE

- Authorized by the California Public Utilities Commission through a guidance Decision; use ratepayer funds for administration and credit enhancement
- Residential, Small Business, Large Commercial/MUNI, Affordable Multi-Family markets
- Goals:
 - Leverage third party, private capital in up-front transactions
 - Test whether financing can yield more energy savings than traditional rebate/incentive programs
 - Reach underserved populations
- CAEATFA to implement working with the 4 Investor Owned Utilities as partners
- Financing not secured by the property
- Open market approach: no single originator
- On-bill and off-bill components for the programs



The credit enhancement is the easy part!

Tangible benefits provided by Lenders to Borrowers due to CHEEF Loan Loss Reserve



	Matadors Community Credit Union	Valley Oak Credit Union <i>Rooted in Your Growth</i>	CALIFORNIA COAST CREDIT UNION	DESERT VALLEYS FEDERAL CREDIT UNION
Credit expansion	FICO min reduced from 660 to 640	FICO min = REEL min of 580	FICO min remained at 600	FICO min = REEL min of 580
Rate reduction	640 bp (for FICO of 640)	668 bp (for FICO of 580)	1097 bp (for FICO of 600)	1050 bp (For FICO of 580)
Term extension (means lower monthly payments)	From 5 years to 5, 10 or 15	From 5 years to 5, 10 or 15	From 5 years to 5, 10 or 15	From 5 years to 5, 10 or 15
Amount available to borrow	From \$10k to \$50k	From \$20k to \$50k	From \$20k to \$50k	From \$15k to \$50k

Residential program faced series of obstacles and challenges

Structural

- Unclear decision-making structure between CAEATFA and IOUs
- “Pilot” status detrimental to lender recruitment
- Regulatory processes run counter to need for swift changes and adjustments
- Lack of clarity on how utilities would get savings credit -> utility focus on data and compliance
- Insufficient budgeting and planning for web-based data collection

Contextual

- Moderate climate with cheap fuel
- Unregulated PACE market offered contractors incentives and instant approval

Obstacles and Challenges continued....

Programmatic

- CPUC Decision was highly prescriptive
- Onerous data and reporting requirements
- Bugged down with utility rebate rules and strictness
- 4 IOUs meant 4 separate sets of eligible measures – no statewide program

Marketing

- CPUC contract with a non-profit ->Governance challenges
- Sequencing challenges, delayed launch
- Lack of utility buy-in



Traditional lenders don't have familiarity with EE projects and don't have bandwidth to handle complex project eligibility rules.

**Felt like we were implementing a program designed for utility risk management and the EM&V process....
not for the actual users.**



Meaningful program uptake requires the program to be:

- 1) Relevant to a broad market base**
- 2) Easy for stakeholders to use**

Approach: Broad and streamlined

This is a pilot. Focus on broad participation.

- We need uptake to evaluate it. Focus on deepening savings later.

Ratepayer funds are not expensed like in rebate programs

- It's ok if not every project realizes savings. We will get savings on a portfolio level.
- CAEATFA needs more control over project eligibility.

If goal is to test financing as a strategy...

- We should not hamstring the pilots with constraints of a rebate program.

Lenders don't focus on IOU territories

- Program must be uniform statewide.

CAEATFA advocated to CPUC for modifications to the program

De-link program from utility rebate requirements

- Allowed single measures and financing to-code

Consolidate credit enhancement funds across utilities

- Consolidated 4 LLR accounts per lender into 1

Agree to alternative energy sharing data process

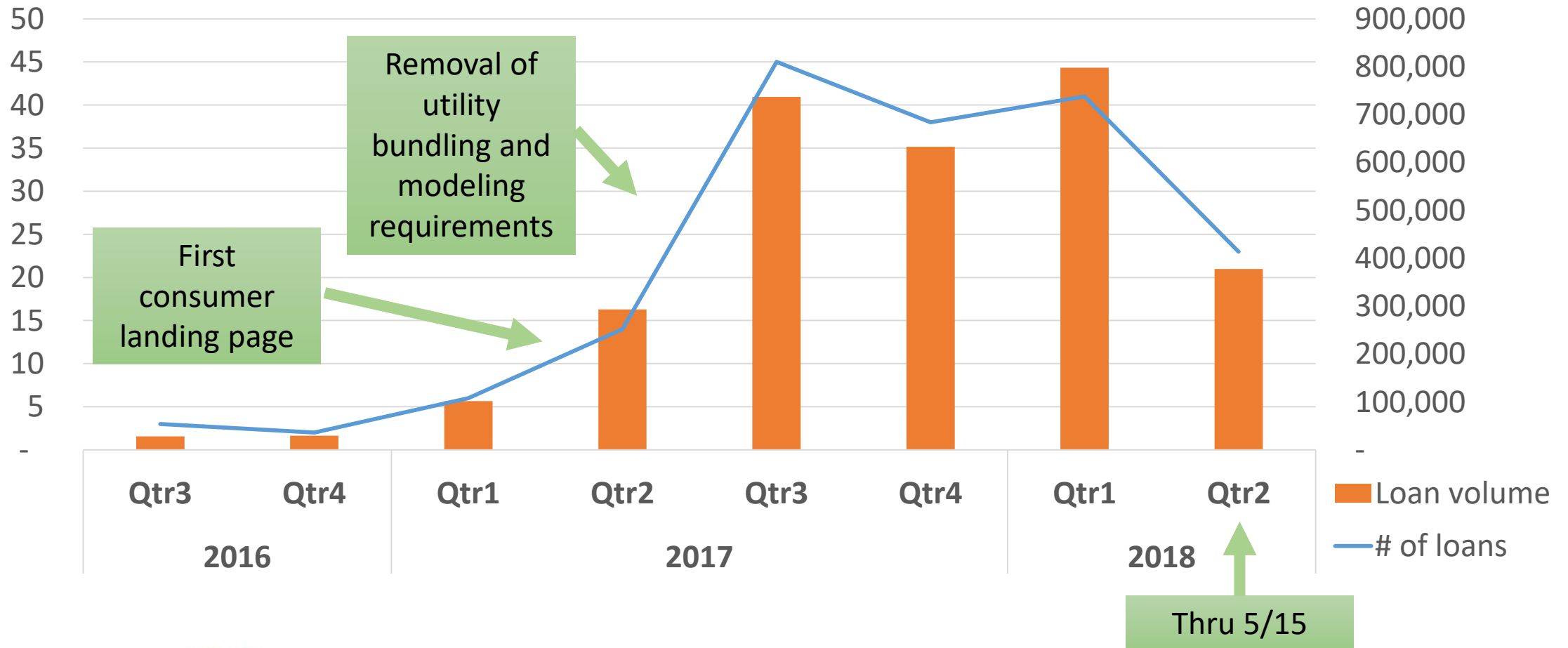
- Removed complex form where customer had to agree to data release

Most modifications also required CAEATFA to make regulatory changes

CAEATFA also made as many operational changes as we could to facilitate growth

- “Up-front” lender certification of loans to **remove another form**
- Creation of “**online, anytime**” training for contractors to enroll in program without attending a webinar
- CAEATFA takeover of listing of eligible measures to **simplify and improve user experience**
- Work with marketing organization to create a **consumer-facing landing page** and other collateral contractors could use to promote the program
- **Simplify LMI Reporting**

REEL shows strong quarter over quarter growth

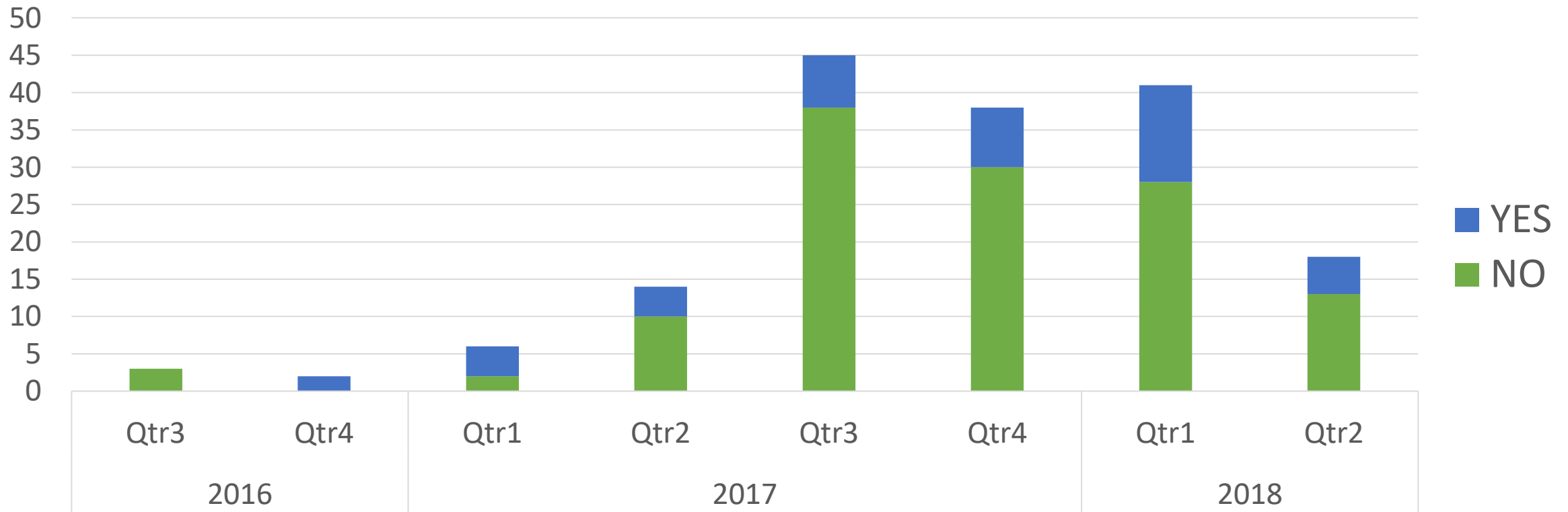


REEL is slowly spreading beyond the big metro areas



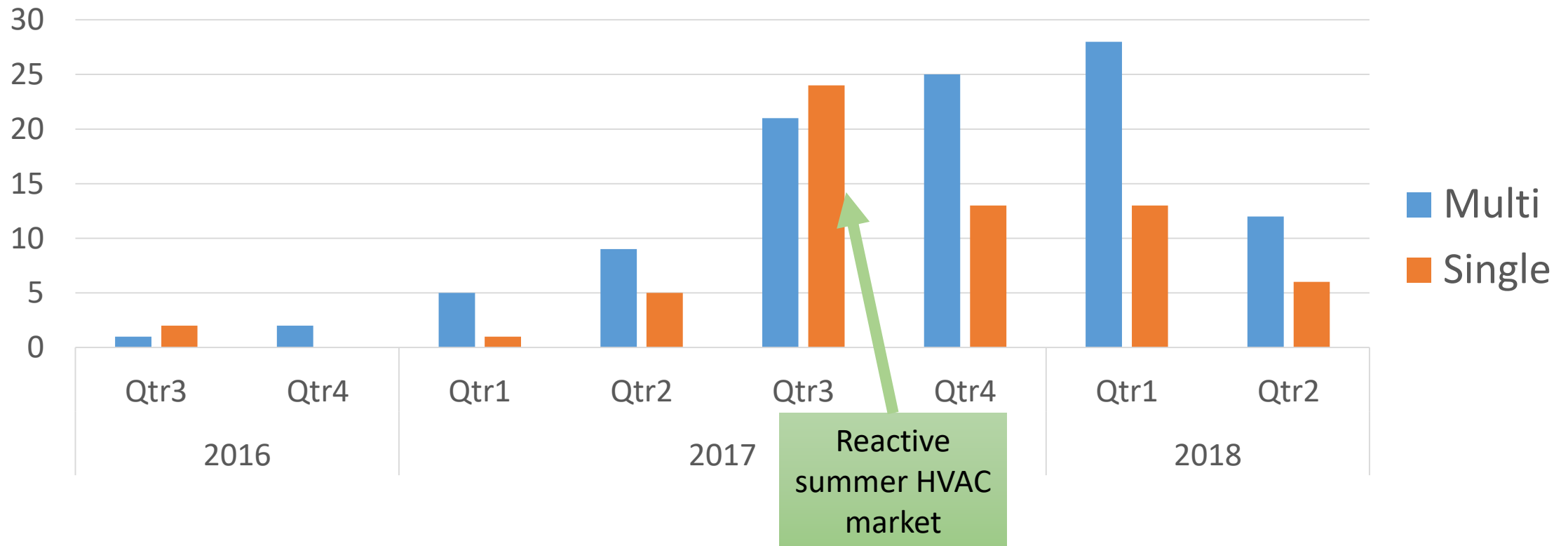
74% of projects are “finance only”; utilities can access savings without rebates

Did borrower or contractor seek a utility rebate or incentive?



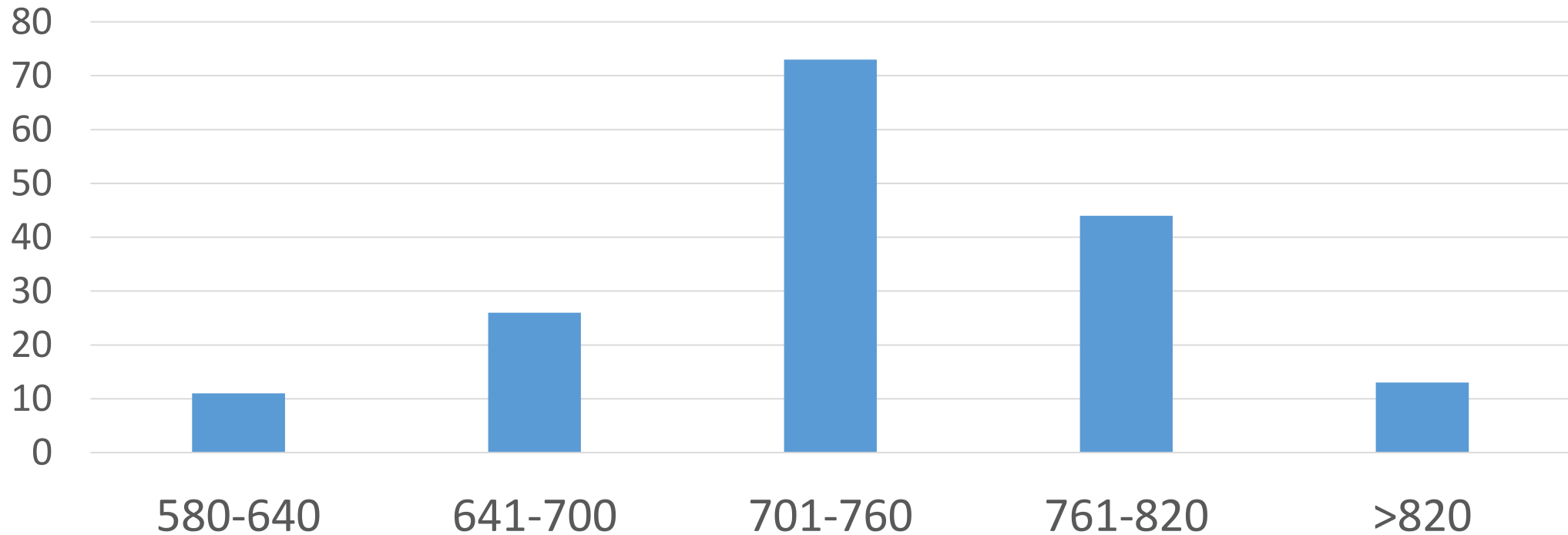
Allowing single measure projects has not precluded more comprehensive retrofits

of loans by single or multi-measure projects



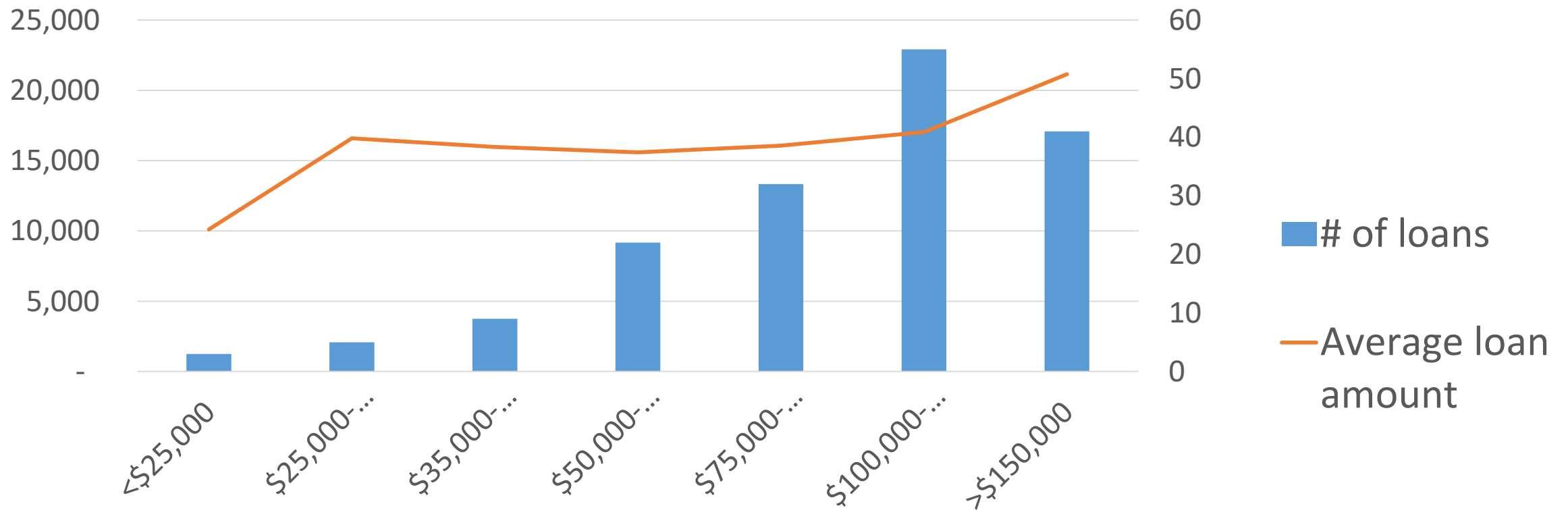
Majority of borrowers have credit scores over 700

REEL Borrowers by Credit score



Most borrowers, regardless of income, access about \$17k through REEL

Loans by borrower income



Participants

217
Participating
Contractors

6
Lenders

\$385k
Allocated to
LLR

\$2.98MM
Private capital
leveraged

Borrowers

53%
Homes located
in LMI Census
Tracts

10%
Homes located in
“disadvantaged
communities”

Product

6.87%
Average interest
rate

\$17,400
Average loan
size

117 months
Average term

Ongoing challenges

Pilot Status

- Hard for lender recruitment

Not a statewide program

- IOU ratepayers can't subsidize projects in MUNI areas

Complexity

- Still have program rules that are confusing to contractors and lenders (safety tests, 30% allowance)

Credit Rejections

- Large numbers of applicants who don't meet even expanded criteria

Inefficient Processes

- Loan by loan enrollment
- Lack of IT budget for lender-interface

We are making additional, ongoing improvements to facilitate growth

- Launched opt-in, Credit-challenged facility: 20% LLR contribution for borrowers with FICO scores 580-640 (March, 2018)
 - 2 new lenders who will launch in June are taking advantage
- Simplify “self-install” criteria and rules (Sept, 2018)
- Facilitate different lending models (Sept, 2018)
 - Allow for UCC-1 filing to attract lenders who want to combine EE with a solar offering
 - More flexibility for sale and transfer of loans
- Marketing and channel partnerships
 - New, consumer-facing website GoGreenFinancing.com (April, 2018)
 - Monthly contractor newsletter, regular content in utility newsletters to contractors (Feb, 2018)
 - Partner-facing website goes live June, 2018

Connect with us

gogreenfinancing.com

Partner site launches June 1

Miriam Joffe-Block

Program Manager

California Hub for Energy Efficiency Financing (CHEEF)

CAEATFA, State Treasurer's Office

916.653.3032

mjblock@treasurer.ca.gov

Small Business and Affordable Multi-Family Programs open for finance company and contractor enrollment later this year