



gogreen
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GoGreen Home Public Workshop: Proposed Modifications to Regulations

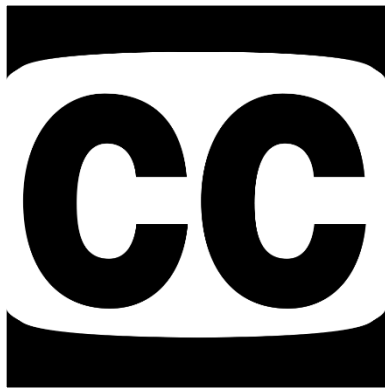
October 23, 2023

GoGreen Home Energy Financing Program

Administered by the State of California

Supported by California's Investor-Owned Utilities (IOUs)

Zoom Closed Captioning



Button at the bottom of the screen for attendees to toggle the captions on/off.

Introduction

Staff Introductions

- **Bill Heberger**, Program Manager
- **Kelly Delaney**, Program Specialist
- **Aaron Lingenfelter**, Program Analyst

Questions & Comments




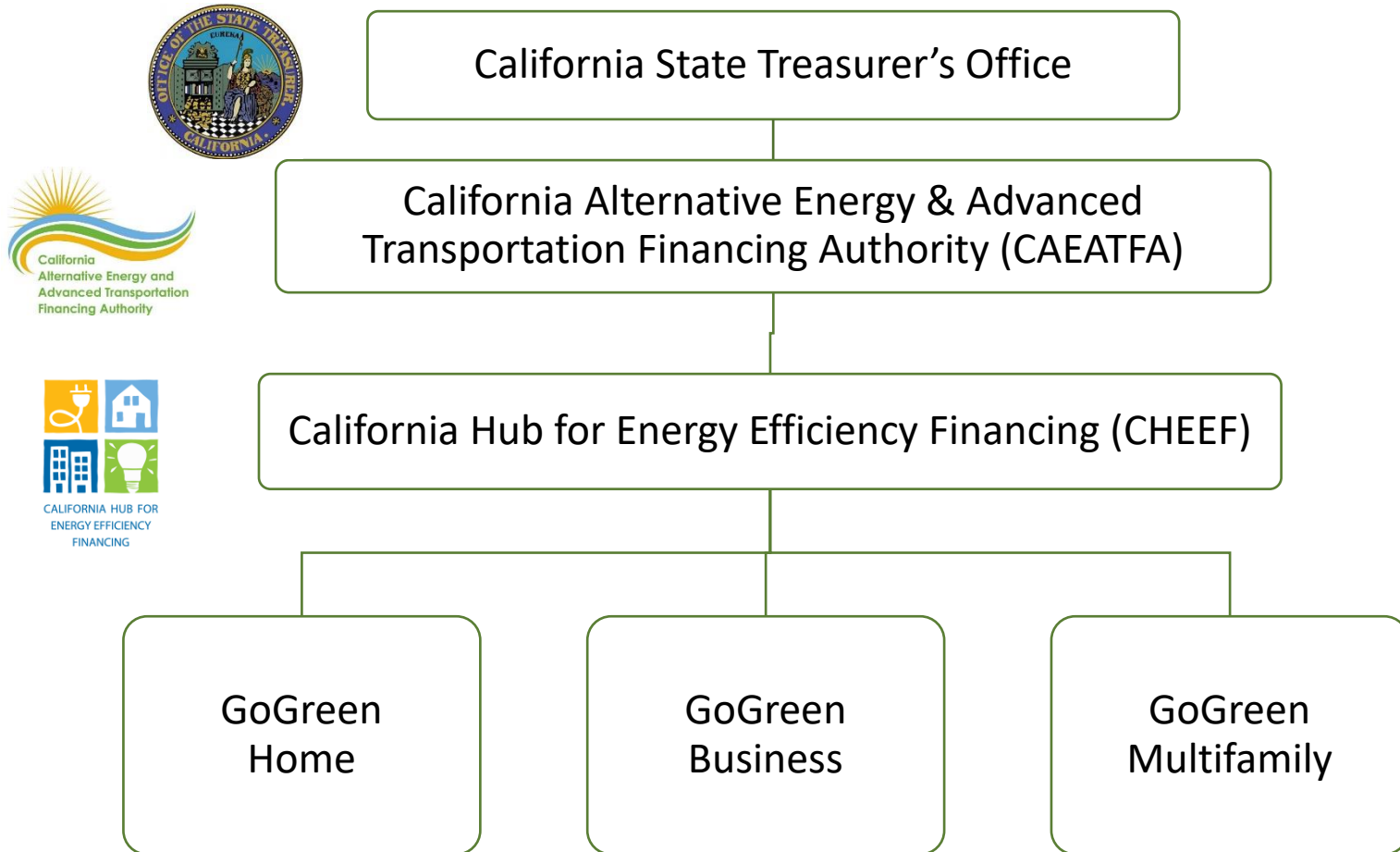
- For questions, please **type your question into the Q&A box** or click the button to **raise your hand** and we will unmute you.

Distribution of Slides

- Workshop slides will be available at:
<https://www.treasurer.ca.gov/caeatfa/cheef/r-eel/regulations/index.asp>



CAEATFA administers the CHEEF and GoGreen Home



California Public Utilities Commission
created the CHEEF to bring private capital to energy efficiency financing, and authorized CAEATFA as its administrator



GoGreen Home leverages private capital for energy efficiency

Private lenders offer attractive loan terms for energy efficiency upgrades

- Unsecured or equipment-secured; no property liens
- Credit enhancement allows lenders to offer:
 - Lower interest rates (over 100 bps), longer payback terms (to 15 years), larger amounts available to borrow (up to \$50k)
 - Broader credit approvals (Borrowers with a 580 FICO score can access a 5,10, or 15-year loan 5.88%, 6.88%, or 7.88%)

GoGreen Home leverages private capital for energy efficiency

Private lenders offer attractive loan terms for energy efficiency upgrades

- Open to homeowners and renters in single-family homes, town homes, condominiums, mobile, & manufactured homes
- Top measures installed have been HVAC, windows, duct work, insulation, cool roofs.
- ~40% of total loan volume enrolled in FY 22/23 alone

Standard Loan data: through August 2023

3,970
loans

\$11.6 MM
leveraged
\$73.2 MM in
private lending

8
Lenders and
768
Contractors

57%
Loans for
properties in LMI
census tracts

5.1%
avg interest
rate

\$2,300
avg interest \$
saved*

GoGreen Microloan Update

Started in 2021, CAEATFA created a streamlined pathway for loans under \$5000 for energy efficiency upgrades through plug-load reduction.

- Enervee/Lewis & Clark Bank resumed loans through the SoCal Gas & SoCal Edison marketplaces in March 2023
 - Statewide launch expected in 2024

567
loans

\$1,498
Avg loan size

30%
Renters

SoCalGas Marketplace

powered by  enervee

Seller's Price \$1,149.99
Sale Discount -\$350.00

ecoFinancing powered by **ONE**

\$16.61/mo

for 60 months

Learn how to pay low monthly installments
for as low as 9.02% APR with
Eco Financing™

or
\$799.99

Add installation
Washer Installation
\$0.00/mo or \$0.01

Smart Choice - 6' Stainless-
Steel Washing Machine Fill
Hose (2-Pack) - Silver
\$0.62/mo or \$29.99

Add haul-away
Professionally haul away and recycle your old
item, or move it to another spot in your home.

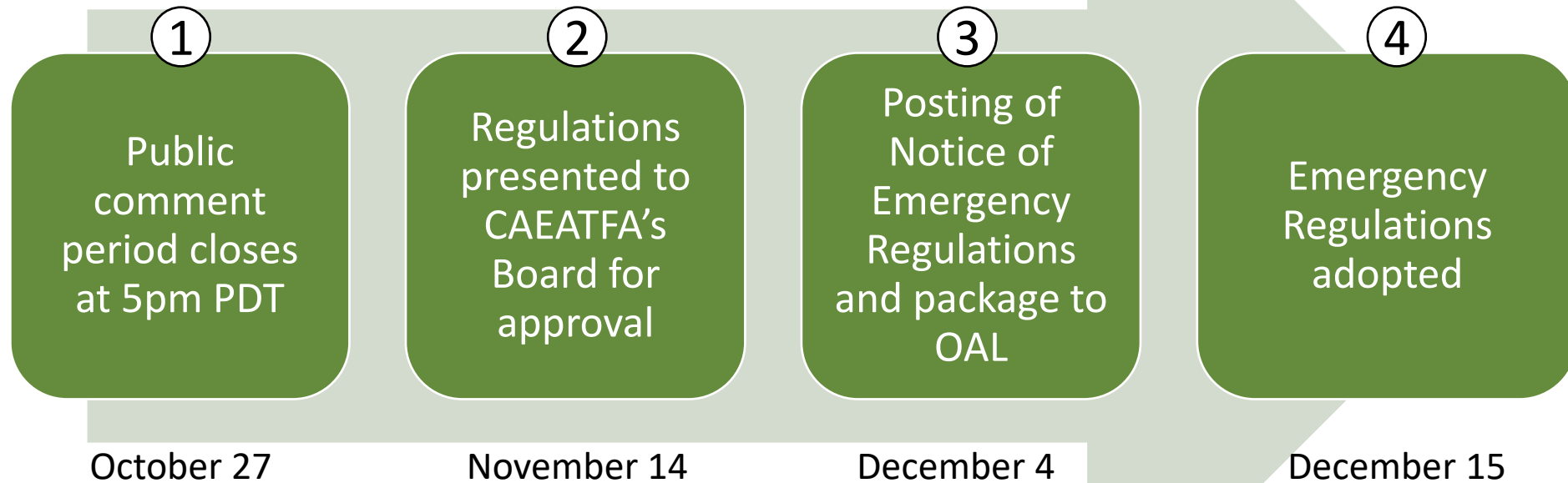
This workshop will address substantive changes

This presentation highlights the most significant **additions and changes**

Text cleanup and **clarifications** not covered today can be viewed in the redlined document

The proposed edits to regulations are available at:
<https://www.treasurer.ca.gov/caeatfa/cheef/reel/regulations>.

Regulation Modification Anticipated Timeline (2023)



We want your input!

- Please provide comments during this meeting or afterwards by **Friday October 27 at 5pm PDT**.
- Comments can be submitted to: cheef@treasurer.ca.gov or reach out to us for a phone call.
- CAEATFA will consider all comments and incorporate them as appropriate.
- Modified GoGreen Home regulations are available at: <https://www.treasurer.ca.gov/caeatfa/cheef/reel/regulations>

Proposed modifications support GoGreen Home scalability

- The purpose of these proposed modifications is to:
 - Support efficient redeployment and rebalancing of Loss Reserve funding to facilitate program scaling
 - Provide an Interest Rate Buy-Down pathway to provide lower rates to borrowers
- Proposed modification are generally categorized as one of three types:
 - **Additions:** New policies added
 - **Changes:** Shifting existing policy
 - **Clarification:** Resolving ambiguity or bringing regulations in line with current practice

Key Proposed Modifications

Expand definition
of Credit
Challenged
Borrower

Changes to Loss
Reserve Account
contribution
calculation method

Remove optional
Lender Credit
Challenged
Borrower Program

Changes to Loss
Reserve Account
rebalancing
method

Establishment of
IRBD deployment
capacity

Interest rate update
timeline
clarification

Expand definition of Credit Challenged Borrower

Regulations Section
§10091.1

Change:

What: Expand credit challenged range from 640 to 700

- Minimum credit score of 580 remains, but maximum is raised to 700

Why:

- Lender feedback and industry data indicated significantly higher risk with credit scores below 680
- Better aligns lender loss reserve coverage with lender risk.
- Keeping the ceiling of 700 maintains current reporting structure for data integrity

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Changes to Loss Reserve Contribution calculation methods

Regulations Section
§10091.7

Change:

What: Change Loss Reserve Contribution calculation and amount

- All loans to Credit Challenged Borrowers (credit scores under 700) to receive 20% automatically
- 20% Loss Reserve Contribution for (non-Microloan) loans to Borrowers in low-income census tracts or households removed
- Microloans shall continue to receive 20% Loss Reserve Contribution for Borrowers in low-income census tracts, 11% for other Borrowers
- All other Borrowers/loans (not Credit-Challenged, not Microloans) to receive 5% Loss Reserve Contribution

Why:

- Allows existing & future loss reserve funds to be stretched further
- Seven years of program and claims data indicates that 5% for standard loans to non-underserved Borrowers will continue to provide adequate coverage for Lenders; CAEATFA will continue to monitor Microloans

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Remove optional Credit-Challenged Program for lenders

Regulations Sections
§10091.1, 2

Removal:

What: Removing the Credit-Challenged Program

- Sunsets the requirement for a separate lender application to participate in this optional program
- Automates Lender ability to receive 20% Loss Reserve contribution for loans made to Credit-Challenged Borrowers

Why:

- Increases scalability by simplifying Lender participation in the program

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Establish new loss reserve rebalancing methodology

Regulations Section
§10091.7(e)

Change:

What: Changes the rebalance methodology to bringing lenders' Loss Reserve Accounts down to a "target coverage amount"

- Only applies to loans made after January 1, 2024. Existing methodology shall continue to apply to loans enrolled before January 1, 2024
- Rebalances based on current outstanding principal, Borrower risk type (e.g. Credit Challenged)
- Allows Lenders to report updated credit scores

Why:

- Allows more rapid redeployment of Loss Reserve funds
- Protects Lender interests by maintaining adequate Loss Reserve coverage

Example 1: Rebalance Occurs

LR Balance at time of rebalance	\$100,000
LR target coverage balance	\$80,000
Rebalance amount	\$20,000

Example 2: No Rebalance Occurs

LR Balance at time of rebalance <i>Multiple claims have reduced balance</i>	\$70,000
LR target coverage balance	\$75,000
Rebalance amount	\$0

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Interest Rate Buy-Downs (IRBDs)

Interest rate buy-downs (IRBDs) can be used to complement private capital financing for energy efficiency projects.

IRBD: a payment provided by financing program administrator directly to the private capital provider to reduce the interest rate a customer pays for a financial product.

Utilized by many financing programs around the country.

Example Projects with IRBD		
	Single measure	Two+ measures
Interest rate	2.99% <i>*<u>bought</u> down from 7.99%</i>	0% <i>*<u>bought</u> down from 12.99%</i>
Payback period	60 months	60 months
Up front cost	\$0	\$0
Monthly payment	\$162/mo <i>*<u>would</u> be \$182/mo without IRBD</i>	\$150/mo <i>*<u>would</u> be \$204/mo without IRBD</i>
Borrower's total payment	\$9,701 <i>\$701 total interest paid \$1,246 total interest saved w IRBD</i>	\$9,000 <i>\$0 total interest paid \$3,284 total interest saved w IRBD</i>
Program's IRBD Cost	\$1,024	\$2,406

Establishment of IRBD funding disbursement capability

Regulations Section
§10091.17

Addition:

What: New section allows CAEATFA to channel funds from external parties to buy down the interest rates of GoGreen Home loans

- Makes provision for IRBD funder to set criteria, on top of GoGreen Home criteria, for eligibility/reporting requirements
- Employs CAEATFA Board to approve IRBD Campaign term sheet and establishes process by which Lenders can apply to participate in IRBD Campaign and access IRBD funds

Why:

- Low interest rate campaigns can help drive more financing uptake and installation of Eligible Energy Efficiency Measures to help reach California's ambitious environmental goals
- Board review and approval of IRBD campaign terms keeps the process transparent
- IRBD funders may have own eligibility criteria/reporting requirements in addition to GoGreen Home loan eligibility requirements; cannot supersede GoGreen Home, but can layer on top

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Interest rate implementation timeline clarification

Regulations Section
§10091.5

Clarification:

What: A deadline for interest rate updates following the quarterly 10-year Treasury bond update

- Sets deadline for participating lenders to update the new max interest rate within their existing system/process updates

Why:

- Lender feedback indicates systemic changes require time for adoption

TODAY'S TAKEAWAYS

Increasing Opportunities for Efficiency

1. Allow CAEATFA to deploy Loss Reserve Contribution funds more efficiently and quickly:
 1. Modified Loss Reserve Contributions calculation methodologies more accurately reflect Borrower risk
 2. Loss Reserve funds can be recycled more efficiently with new rebalancing methodology
2. New IRBD disbursement capability will drive uptake with low interest rate campaigns

We want your feedback!



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