

**CALIFORNIA ALTERNATIVE ENERGY AND  
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

**Request to Approve GoGreen Home Interest Rate Buydown Campaign to  
Finance Heat Pump Installation Projects in LI/DAC Communities**

**Board Meeting Date: Tuesday, January 21, 2025**

Prepared by: Geoff Fattig, Analyst

**REQUEST**

In order to expand financing options through the GoGreen Home program for low-income borrowers in designated communities, the California Alternative Energy and Advanced Transportation Financing Authority (“CAEATFA” or the “Authority”), through the administration of the California Hub for Energy Efficiency Financing (CHEEF) Programs, requests approval to implement an Interest-Rate Buydown (“IRBD”) campaign utilizing California Climate Investment funds obtained through the California Energy Commission (“CEC”). CAEATFA and the CEC have agreed to the term sheet shown in Table 1.

**BACKGROUND**

The GoGreen Home program enables Californians to finance residential energy efficiency upgrades by providing below-market interest rates for home improvement loans through participating financial institutions. The program was established by Public Utilities Commission (PUC) Decision 13-09-044 and is administered by CAEATFA and funded through an agreement with the state’s Investor-Owned-Utilities (IOUs) using rate-payer dollars.

The Budget Act of 2023, Senate Bill (SB) 101 (Chapter 12, Statutes of 2023), as amended by AB 102 (Chapter 38, Statutes of 2023), appropriated \$345 million in Greenhouse Gas Reduction Funds (GGRF) to the CEC for its Equitable Building Decarbonization Program (“EBDP”). The CEC in turn has selected CAEATFA’s GoGreen Home program to receive \$30 million to supplement its existing home loan program through 2029.

On September 5, 2024, CAEATFA entered into a \$30 million agreement with the CEC to provide GoGreen Home financing for select electric measures available to borrowers statewide. Under the terms of the agreement, \$9.9 million of the EBDP funding is earmarked for an IRBD campaign to serve means-tested Low-Income Households<sup>1</sup> in designated Low-Income or Disadvantaged Communities (LI/DAC) per SB 535.<sup>2</sup> IRBDs

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<sup>1</sup> A Low-Income Household is defined as a household earning 80 percent or less of the area median income. Low-Income thresholds by county and household size are determined by the Department of Housing and Community Development.

<sup>2</sup> A Low-Income Community is defined as a census tract with a median household income at or below 80 percent of the statewide median income, or a census tract with a median household income at or below the...

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are financial incentives that provide upfront payments to private lenders to reduce the interest rate a customer pays for a loan. CAEATFA calculates these payments as the present value of the amount of interest the customer would have paid under a standard loan. GoGreen Home regulations require CAEATFA to develop an IRBD term sheet describing the IRBD campaign for Board consideration when external sources of funding become available for such campaigns.<sup>3</sup>

**PARAMETERS**

In accordance with California’s climate goal of increasing residential heat pump installations, up to \$9.4 million of the EBDP funding may be used to finance projects, which include heat pump HVAC or water heaters. The total cost for each project is not to exceed \$30,000. Staff analysis of previous projects in similar locations has found that this is a reasonable price for installing a quality heat pump HVAC system along with complementary energy efficiency measures such as insulation, ductwork, or air sealing. Setting a \$30,000 cap on IRBD eligible funds also limits the debt burden that low-income borrowers will face when undertaking these home improvement projects.

Participating Lenders are eligible to take part in the IRBD campaign, but they must submit an application to CAEATFA outlining verification measures that ensure borrower income limits and geographic location are met.<sup>4</sup> Lenders will be reimbursed up to an amount required to reduce the customer's interest rate to 0% over 10 years or 2% over 15 years, not to exceed \$10,000. This limit represents the cost of buying down a maximum term loan with an original interest rate of 8%, which is the highest current tier for standard loans offered through GoGreen Home.

In addition, CAEATFA will set aside \$500,000 in EBDP funding for financing Microloans<sup>5</sup> for projects under \$5,000. The Microloan projects will not require a heat pump component, as they are targeted toward encouraging energy efficient appliance upgrades for low-income borrowers. Using the average loan profiles for this demographic as a baseline, staff estimates that this IRBD should provide financing for approximately 2,100 heat pump projects and 500 Microloans.

**RECOMMENDATION**

Staff recommends the approval of the IRBD term sheet (Table 1) and attached Resolution to authorize commencement of the IRBD campaign effective immediately.

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2(cont.) ...threshold designated as low-income by the Department of Housing and Community Development. A Disadvantaged Community is an area identified as disadvantaged by the California Environmental Protection Agency per SB 535 (Chapter 830, Statutes of 2012) based on geographic, socioeconomic, public health, and environmental hazard criteria.

<sup>3</sup> California Code of Regulations, Title 4, Division 13, Section 10091.18(b)(1) – “When the Authority gains access to IRBD funds, the Authority shall...develop an IRBD term sheet describing the IRBD campaign.”

<sup>4</sup> California Code of Regulations, Title 4, Division 13, Section 10091.18(b)(1)(E) – “When the Authority gains access to IRBD funds, the Authority shall...develop an IRBD term sheet...including terms for and the process by which PFIs and PFLs may apply to participate in the IRBD campaign.”

<sup>5</sup> California Code of Regulations, Title 4, Division 13, Section 10091.1(bb) – “‘Microloan’ means an Eligible Loan with a Total Principal Amount of \$5,000 or less.”

**RESOLUTION OF THE CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED  
TRANSPORTATION FINANCING AUTHORITY TO ADOPT AN INTEREST-RATE  
BUYDOWN CAMPAIGN ADMINISTERED THROUGH THE GOGREEN HOME  
PROGRAM TO BENEFIT LOW-INCOME HOUSEHOLDS IN LI/DAC COMMUNITIES**

January 21, 2025

**WHEREAS**, the California Alternative Energy And Advanced Transportation Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Alternative Energy and Advanced Transportation Financing Authority Act (Division 16 (commencing with Section 26000) of the California Public Resources Code) (the “Act”);

**WHEREAS**, Section 26011(h) of the Public Resources Code provides that the Authority is authorized to “do all things generally necessary or convenient to carry out the purposes of this division”;

**WHEREAS**, Public Utilities Commission Decision 13-09-044 established the California Hub for Energy Efficiency Financing (CHEEF) to be administered by the Authority in partnership with the Investor Owned Utilities and the PUC;

**WHEREAS**, the GoGreen Home Program is implemented under the CHEEF and regulations established as CCR Title 4, Division 13, Sections 10091.1-18;

**WHEREAS**, the GoGreen Home Program may implement an Interest Rate Buydown (IRBD) campaign pursuant to CCR Title 4, Division 13, Section 10091.18; and

**WHEREAS**, the Authority entered into a grant agreement on September 5, 2024, with the California Energy Commission to commence an IRBD campaign utilizing up to \$9.9 million to benefit Low-Income households in LI/DAC communities.

**NOW, THEREFORE, BE IT RESOLVED** by the Authority, as follows:

Section 1. The Authority hereby authorizes the adoption of an IRBD campaign, as more particularly set forth in the attached Term Sheet, to disburse up to \$9.4 million provided by the CEC to finance heat pump installation projects in designated Low-Income Households in Low-Income/Disadvantaged Communities throughout California. A further \$500,000 of CEC funding will be made available to finance Microloans under \$5,000 in the same communities. With the exception of Microloans, all projects must include a Heat Pump HVAC or Heat Pump hot water heater.

Section 2. Participation of finance companies in the IRBD campaign shall be subject to the approval of the Authority, or the Executive Director on behalf of the Authority, pursuant to Regulations §10091.18(d).

Section 3. The Executive Director is authorized to make modifications to the IRBD campaign parameters as reflected in a modified Term Sheet to meet market

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demands that are commercially reasonable to ensure the effective implementation of the campaign. Such modifications shall be subject to annual review by the Authority.

Section 4. The Authority hereby authorizes and directs the Executive Director, or their designee, the power to develop, execute, and deliver any and all documents necessary to implement the IRBD campaign and complete the transfer of buy-down payments to participating finance companies.

Section 5. This resolution shall take effect immediately upon its approval.

<b>Table 1: GoGreen Home IRBD Term Sheet</b>	
<b>Amount Available</b>	\$9,900,000
<b>Interest Rates</b>	Not to exceed 0% for terms of up to 10 years, or 2% for terms between 10-15 years
<b>Maximum Cost of Project</b>	\$30,000
<b>Maximum Payment to Lender</b>	\$10,000; not to exceed the amount required to reduce the customer's interest rate to 0% over 10 years or 2% over 15 years
<b>Borrower Eligibility</b>	A designated Low-Income Household in a LI/DAC Community
<b>Measure Eligibility</b>	Must include a heat pump HVAC system or water heater. Can include other measures listed in the CEC IRBD Concept, so long as total project costs financed do not exceed \$30,000 <sup>6</sup>
<b>Lender Application Process</b>	Participating Lenders submit application to CAEATFA that will outline verification measures for household income and geographic location of the prospective borrowers. Loan processing and enrollment shall proceed according to existing procedures
<b>Payment Calculation</b>	Present value of the amount of interest the customer would have paid under the terms of a standard GGH loan
<b>Payment Disbursement</b>	Once approved, payment will be made directly to lender accounts from EBDP holding account at Trustee Bank

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<sup>6</sup> \$500,000 in EBDP funding is to be set aside for financing Microloans under \$5,000. These projects do not require a heat pump component, and the term is capped at 5 years.