

Residential Energy Efficiency Loan (REEL) Assistance Program

An Opportunity for Finance Companies

Administered by the California State Treasurer's Office

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



Rev. 7/28/2020

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FINANCING™

The Problem

California has set ambitious climate goals for 2030...

- ✓ 40% reduction in total greenhouse gas emissions from 1990 levels
- ✓ Doubling of energy efficiency savings in existing buildings

...but energy retrofits needed to achieve these goals face financing barriers.

- ✓ Energy efficiency projects come with **high upfront costs**, and consumers **lack necessary capital** to undertake them
- ✓ Existing loan products don't meet customer needs:
 - Many homeowners do not want to use their **property as collateral**
 - Credit card **interest rates are high**
 - Unsecured loans are **limited to five-year terms**, and maximum loan amounts **do not cover full retrofit**

REEL: The Solution

The REEL Program addresses barriers to financing by offering lenders:

- ✓ A **credit enhancement** to help mitigate risk
 - Receive a loan loss reserve (LLR) contribution for every enrolled loan
 - **Participate at no cost** to lender or borrower
 - Recover up to **90% of outstanding principal** in the event of default

- ✓ **Statewide marketing** to grow your customer base
 - Leverage a growing network of **430+ approved contractors** promoting REEL financing to borrowers
 - Benefit from **statewide marketing campaigns**, including efforts led by your customers' energy utility
 - Be featured as a REEL lender on **GoGreenFinancing.com**, our online marketplace for EE financing

- ✓ Strategic collaboration with **trusted organizations**
 - Administered by the California Hub for Energy Efficiency Financing in the **California State Treasurer's Office**
 - Supported by **California's four IOUs** – Pacific Gas & Electric (PG&E), San Diego Gas & Electric (SDG&E), Southern California Edison (SCE), and Southern California Gas (SCG)

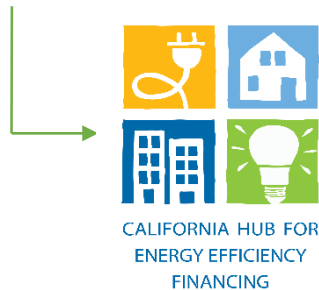
Who We Are



California State Treasurer's Office



California Alternative Energy & Advanced Transportation Financing Authority (CAEATFA, pronounced "kate-fuh")



California Hub for Energy Efficiency Financing (the Hub)

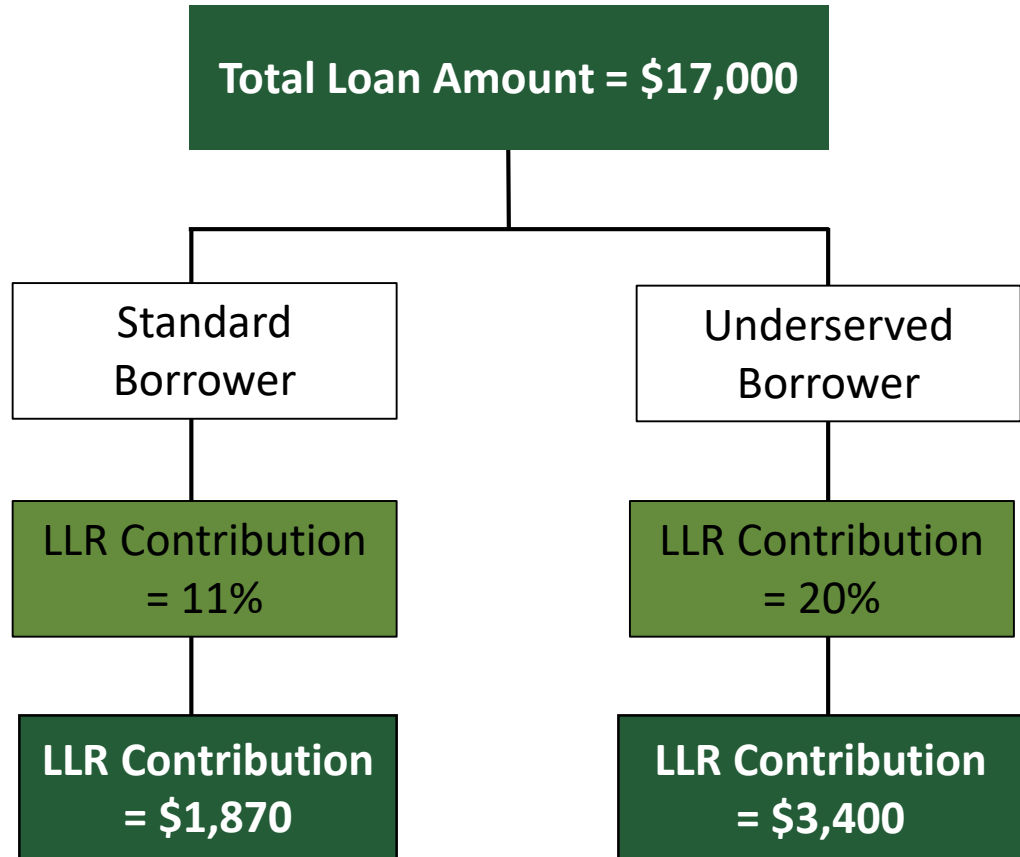


Residential Energy Efficiency Loan (REEL) Assistance Program

The Hub was authorized by the **California Public Utilities Commission (CPUC)** to bring private capital into the energy efficiency (EE) marketplace.

The Hub launched REEL, its first EE financing program serving homeowners and renters, in **2016**.

How the Loan Loss Reserve Works

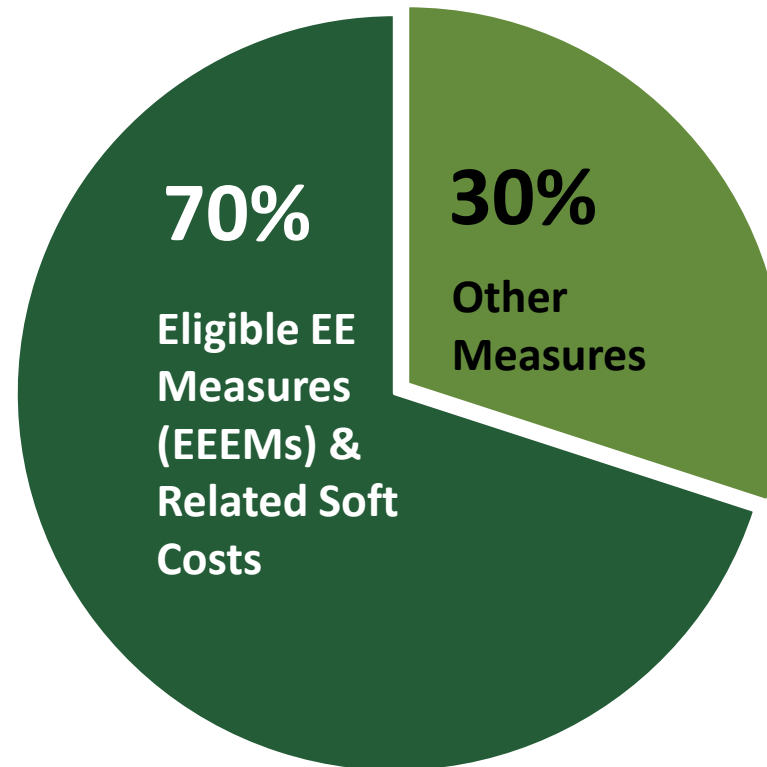


- ✓ REEL has **up to \$20 million** authorized for credit enhancements
- ✓ For each enrolled loan:
 - A contribution is made to the lender's LLR account, held at a trustee bank
 - The LLR account may be accessed in case of default to **recoup up to 90% of the unpaid balance** of a charged-off loan
- ✓ Additional contributions are made to **support underserved borrowers**
 - Underserved borrowers are those defined as either:
 1. *Low-to-Moderate Income (LMI)* – Area Median Income (AMI) of the borrower's census tract does not exceed 120% of the AMI for the metropolitan area, county, or state
 2. *Credit-Challenged* – A borrower whose credit score is < 640. Lenders must opt in to the Credit-Challenged facility by demonstrating additional benefits to credit-challenged borrowers.

How Customers Use REEL

REEL's Eligible Energy Efficiency Measures (EEEMs) include:

- ✓ HVAC and duct sealing
- ✓ Water heaters, including heat pump water heaters
- ✓ Insulation and air sealing
- ✓ Window replacements
- ✓ Pool pumps and motors
- ✓ Heat pumps
- ✓ Cool roofs
- ✓ Appliances and smart thermostats
- ✓ Whole-house projects
- ✓ *And much more!*



Borrower's Choice:

- ✓ Borrowers can use up to 30% of the total loan amount to finance non-energy measures like painting, remodeling and landscaping
- ⚠ Distributed Generation (like solar) is **not eligible** for REEL financing, even as part of the 30% available for non-energy saving measures

Finance Company and Customer Benefits

REEL offers real benefits to lenders and borrowers alike.

REEL helps lenders:

- ✓ **Mitigate risk** with the credit enhancement to recover up to 90% of outstanding principal in the event of default
- ✓ Offer a product with **lower rates, extended terms, and/or larger loan limits** by leveraging the support from the credit enhancement
- ✓ **Attract new customers** through REEL and introduce them to your other products and services
- ✓ **Offer a “green” product** and explore new market sectors

REEL helps borrowers:

- ✓ Make a **wide range of upgrades** to their homes to improve their energy efficiency and increase comfort
- ✓ **Save money** with lower interest payments
- ✓ Obtain **affordable monthly payments** through longer loan terms
- ✓ **Access financing** without placing a lien on their property

REEL Highlights

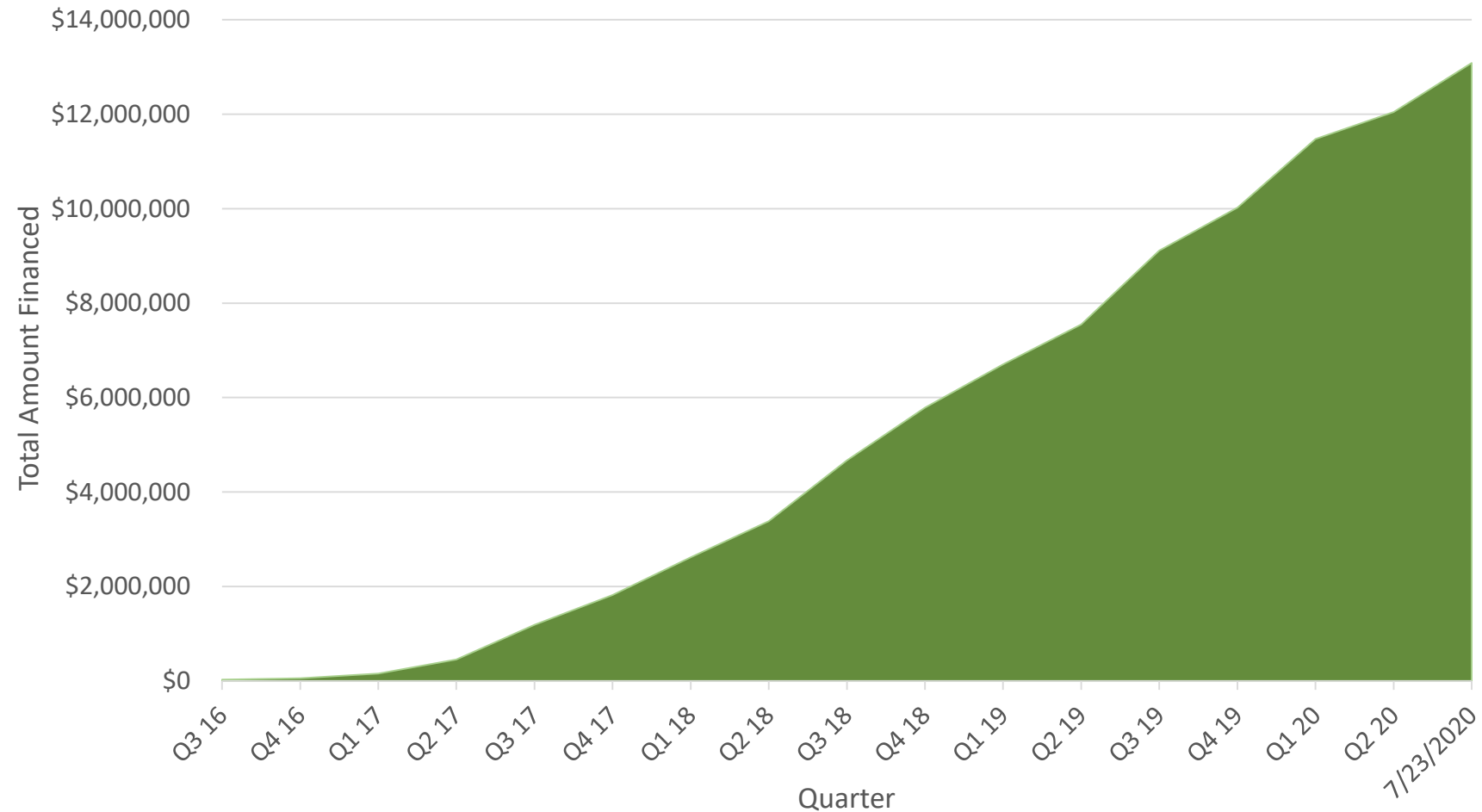
\$13 Million
in REEL loans financed by
participating lenders

\$17,015
average REEL loan size

438
participating contractors

7
participating lenders

Loan Growth Since Program Inception



What People Are Saying About REEL



BORROWERS

*“My air conditioner stopped working and I was getting quotes to get it fixed. I originally planned to pay for it upfront, but my contractor told me about REEL. The lender was really helpful and they had great interest rates. **I liked the program so much, I referred my sister!**”* -- REEL Borrower in Ridgecrest, CA



CONTRACTORS

*“REEL has **no fees and the interest rates are better** than Cal First or HERO. I would like to get away from using these other financing products because I can save my customers **\$1,500 - \$2,000 in fees!**”* – REEL Participating Contractor



LENDERS

*“We have been looking for consumer-friendly energy loans for 5-6 years now...so when we heard about the REEL program, we got on board because it’s a great fit for us. We are always excited to bring **new products that bring value to our members.**”* – REEL Participating Lender

How New Lenders Fit In

Is there enough demand for new REEL finance companies?

Yes!

✓ REEL is **growing rapidly**

- As a pilot, REEL has grown significantly, facilitating **\$13 million in financing over four years** across nearly 800 loans
- In April 2020, REEL was approved by the CPUC to transition from pilot to program, opening the doors for new growth

✓ REEL can reach **millions of potential customers**

- IOUs provide energy to **56+ million Californians** statewide and market REEL directly to their customers
- Staff are planning program and operational improvements to support continued growth

✓ **Ageing Homes = High Potential**

- 75% of California's existing housing was built before the State implemented energy efficiency building standards (Title 24)
- 71% of households think EE is important, but only 35% describe their homes as energy efficient*

Become a REEL Lender

You Apply

Lender develops a REEL product and submits REEL program application to CAEATFA

We Approve

CAEATFA reviews application and approves lender for participation

We Set Up

CAEATA sets up lender's loan loss reserve account with our trustee bank and works with you to integrate REEL into your existing operations

We Promote

Lender's REEL product is promoted in statewide marketing, on GoGreenFinancing.com, and through our contractor network

You Launch!

Lender begins offering new REEL product

Contact Us and Learn More

Call or email the REEL marketing team:

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Learn more about REEL online:

[GoGreenFinancing.com/ResidentialLenders](https://www.gogreenfinancing.com/ResidentialLenders)

[REEL Program Regulations](#)

[REEL Lender Chart](#)

[Eligible Energy Efficiency Measures \(EEEMs\) List](#)