



Clean Energy Upgrade Financing Program

AB X1 14 Program

Background

ABX1 14 provides up to \$25 million for CAEATFA to administer the Clean Energy Upgrade Financing Program (Program). Under this Program, CAEATFA may provide financial assistance in the form of credit enhancements to financial institutions providing loans to finance the installation of distributed generation renewable energy sources, electric vehicle charging infrastructure, or energy or water efficiency improvements on homes or small commercial properties. The goal of the Program is to increase access to retrofit financing by reducing its cost and grow the number of green jobs in the state.

CAEATFA proposes to meet the goal of the Program in two phases. In phase one, CAEATFA is establishing a Loan Loss Reserve Program designed to help financial institutions make loans to California homeowners for energy efficiency and renewable energy retrofits.

In phase two, CAEATFA has issued a Request for Information (RFI) to all interested parties – public, private, non-profits and partnerships – to obtain information and ideas on alternative financing structures that might add value to the Clean Energy Upgrade Financing Program. Details and the timeline for the RFI can be found [here](#). Proposals are due June 8, 2012.

Loan Loss Reserve Program

Who can qualify for financial assistance?

ABX1 14 defines an applicant as a financial institution providing a loan for eligible property owners and improvements. CAEATFA defines “Financial Institution” in regulation as any insured depository institution, insured credit union, or community development financial institution, as those terms are each defined in Section 103 of 12 U.S.C. 4702.

Level of Financial Assistance

In the initial phase of the Program, CAEATFA will implement a loan loss reserve.

- An initial 15 percent loan loss reserve contribution for each qualified loan enrolled in the Program and then scaled back to 10 percent when a participating financial institution’s enrolled loan volume reaches \$250,000.
- Participating financial institutions could claim 100% of the charged-off loan up to the enrolled principal amount.

Eligible Property and Improvements

- The improvement financed is for a residential project of three units or fewer.
- Loans are used to finance energy efficiency improvements on real property and/or the installation of distributed generation renewable energy sources.
- CAEATFA is proposing that all projects that include distributed generation must first achieve a minimum 10 percent reduction in total property energy use through energy efficiency in order to qualify for financing.
- All improvements assisted through the Program must meet quality assurance standards, including contractor certification. Eligible Improvements must be recommended by a pre-project energy efficiency assessment and verified by a post-project energy assessment conducted by an independent, third-party inspector.

Loan Recipients and Minimum Underwriting Criteria

ABX1 14 requires that:

- Loan recipients are the legal owners of the underlying property in California.
- Loan recipients are current on mortgage and property tax payments.
- Loan recipients are not in default or in bankruptcy proceedings.
- Loans are for less than ten percent (10%) of the value of the property.

Tentative Timeline

CAEATFA has developed Program regulations through an eight month public rulemaking process. The regulations will become effective in mid-May 2012 and CAEATFA anticipates launching the Program in late May 2012. Financial institutions who meet the regulations may apply to participate in the Program on an ongoing basis.

To access the application materials and a copy of the regulations, please visit the CAEATFA website at http://treasurer.ca.gov/caeatfa/abx1_14/index.asp.

For more information or to provide comments on the proposed regulations, contact Martha Alvarez at (916) 651-5105 or martha.alvarez@treasurer.ca.gov.

CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY

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