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Shasta, Sierra, Siskiyou, Sutter, Tehama, Trinity, Tuolumne, Yuba

# CHF Residential Energy Retrofit Program

## *Procedures Manual for Contractors*

**Administered by:**

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## Section 1 Introduction

### *Program Summary*

The CHF Residential Energy Retrofit Program (the "Program") provides financial assistance (loans and grants) for the installation of high-efficiency equipment and/or systems and other qualifying energy efficiency improvements on residential homes. The Program is funded by a grant from the Energy Commission Energy Resources Conservation and Development Commission of the State of California ("CEC"), as part of an award to the CEC by the Federal Department of Energy ("DOE") under the American Recovery and Reinvestment Act. CRHMFA Homebuyers Fund ("CHF") is the administrator of the Program. CHF is a Joint Powers Authority representing 30 Member Counties and 18 Associate Member Counties in California. For more information about CHF and the Program, please visit [www.chfloan.org](http://www.chfloan.org).

CHF will provide loans ("Loan(s)") to Program applicants ("Applicant(s)") who qualify for financing under the Program. The Loan proceeds must be used for energy efficiency retrofit work ("Retrofit Work" or "Retrofit Project") on a residence owned by the Applicant(s). CHF will also provide Grants ("Grant(s)") to offset the cost of the Retrofit Work and to cover the cost of mandatory energy audits. CHF will accept Loan and Grant applications under the Program until February 15, 2012 or until Program funds are fully committed, whichever occurs first.

Only contractors who are approved by CHF ("Contractor(s)") are eligible to perform Retrofit Work under the Program. Contractors must comply with the procedures set forth in this Contractor Procedures Manual, the terms and conditions of the Contractor Participation Agreement between CHF and Contractor ("Contractor Participation Agreement"), and such other procedures and directives as may be issued by CHF, the CEC, and/or the DOE from time to time.

**THIS CONTRACTOR PROCEDURES MANUAL MAY BE AMENDED AT ANY TIME AND FROM TIME TO TIME IN THE SOLE AND ABSOLUTE DISCRETION OF CHF.**

### *The Basic Process*

#### **1. Prescreening and Initial Energy Audit.**

The Contractor or CHF will pre-screen potential Applicant(s) to determine whether certain threshold eligibility criteria are satisfied ("Pre-Screening Criteria"). If the Pre-Screening Criteria are satisfied, the Contractor will determine whether the subject property is eligible based on guidelines from the State Historic Preservation Office (see Section 2). If the Pre-Screening Criteria are satisfied, and the subject property is eligible, the Contractor will perform an "Initial Energy Audit," will prepare a cost estimate for the proposed Retrofit Project, and will determine whether the proposed Retrofit Project is estimated to satisfy the "net cash-flow neutral or positive" requirement discussed below (that is, whether the proposed Retrofit Project is "financially feasible").

## **2. Loan & Grant Application**

If the Pre-Screening Criteria are satisfied, if the subject property is eligible, and if the Retrofit Project is financially feasible, the Applicant(s) will be invited to fill out and submit a Loan and Grant Application Package ("Application Package") to CHF. The Application Package will include details about the proposed Retrofit Project and other supporting documentation as outlined in this manual, such as a copy of the Home Improvement Contract (and CHF required Addendum) between the Contractor and the Applicant(s) and the Project Financial Analysis Worksheet.

## **3. Loan & Grant Approval**

CHF will review and evaluate the Application Package. If the application is approved, CHF will prepare and send Loan documents to the borrower(s) ("Borrower(s)") for signature. Once CHF receives the signed Loan documents back from the Borrower(s), and if everything else in the loan file is in order, CHF will wait three (3) business days to allow the Borrower(s) an opportunity to exercise the three (3) day right of rescission. If the right of rescission is not timely exercised by the Borrower(s), CHF will issue a "Notice of Loan and Grant Approval" to Contractor.

## **4. Project Installation**

Once a Contractor receives a Notice of Loan and Grant Approval from CHF, the Contractor may proceed with the Retrofit Work (subject to certain additional caveats and conditions outlined in the Notice of Loan and Grant Approval).

## **5. Project Completion & Funding**

After the Contractor completes the Retrofit Work, the Contractor will request a "Final Energy Audit" from an independent "HERS" rater to determine whether the completed Retrofit Work actually achieved the energy efficiencies required to be achieved in order to qualify for financing under the Program. If the Retrofit Work does not pass the Final Energy Audit, the Contractor will not be paid for the Retrofit Work.

In addition to the Final Energy Audit, CHF will further verify the completed Retrofit Work through an independent third-party "post-installation inspection." The purpose of the post-installation inspection is to ensure that the scope of the Retrofit Work has not changed from the agreed-upon and approved proposal to CHF. Upon verification, the Contractor will submit a Project Completion and Funding Package (defined below) to CHF for review. Upon CHF's approval of the Project Completion Package, CHF will distribute funds to an escrow for the purpose of facilitating distribution of the Loan and Grant funds pursuant to the instructions of the Borrower(s).

## Section 2 Participation Guidelines

### Property Eligibility

An eligible property must satisfy the following criteria:

- The property must be a single-family, 1-4 unit residential property<sup>1</sup>;
- The property must be located in one of the CHF Member or Associate Member Counties; and (See "DOC #373250 – Eligible Counties and Incomes" for list of eligible Counties)
- The property must either be verified as exempt from SHPO (State Historic Preservation Office) approval or receive SHPO approval.  
(See "DOC #390242 – SHPO Contractor Consultation Form")

### SHPO Approval Steps:

NOTE: CHF does not seek SHPO review and/or approval on behalf of the contractor. Participating Contractor's must contact the SHPO office directly to request review and/or approval of proposed retrofit project PRIOR to submission of a Loan and Grant Application package to CHF.

#### 1. Determine Whether a Property is Exempt from SHPO

Properties that are 45 years old or less at the time of work and that have not been determined to be eligible under the National Register Criterion Consideration G for exceptional significance are exempt from the requirement for SHPO approval. Properties that are eligible for the National Register are properties:

- that are associated with events that have made a significant contribution to the broad patterns of our history; or
- that are associated with the lives of persons significant in our past; or
- that embody the distinctive characteristics of a type, period, or method of construction, or that represent the work of a master, or that possess high artistic values, or that represent a significant and distinguishable entity whose components may lack individual distinction; or
- that have yielded, or may be likely to yield, information important in prehistory or history.

If a property is 45 years old or less, and if the Contractor determines that the property does not fit into one of the four categories above, the property is exempt from the requirement for SHPO approval.

If a property is more than 45 years old, it may still be exempt if it meets the certain exemption categories. These categories are listed on the "SHPO Contractor Consultation Form". This form must be submitted for each property upon which Retrofit Work is to be performed in order to be eligible funding from the Program.

#### 2. Properties That Are Not Exempt From SHPO

Properties that do not qualify for exemption from SHPO approval must be submitted to the CEC for SHPO approval. Refer to the "SHPO Contractor Consultation Form" and "Loan & Grant Application Checklist" for a list of required documentation.

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<sup>1</sup> 1-4 unit residences that are detached structures, PUDs or condominiums are allowed (including duplexes and half-plexes). Mobile homes and manufactured homes are not allowed. Modular homes are allowed. The property does not need to be the primary residence of the homeowner; rental properties are eligible.

SHPO approval is required on all properties over 45 years of age in the case of:

- Window and/or door replacement;
- Installation of cool roof or work on roofing;
- Installation of solar panels visible from public right of way;
- Landscape irrigation; and/or

***Work involving the disturbance or breaking of ground.***

## ***Applicant Eligibility***

Eligible Applicant(s) must satisfy the following criteria:

- The Applicant(s) must be current on any mortgage(s) on the property and on property taxes;
- The Applicant(s) must have a current source of income; and
- The Applicant's(s') total combined income must be within 60-160% of the HUD Area Median Income for the County in which the Property is located;

(See "DOC #373250 – Eligible Counties and Incomes" for applicable income limits)

Income documentation such as pay stubs and the most recent year's tax return are reviewed to confirm income and will be required as part of the Application Package. All disclosed sources of income will be used to evaluate whether Applicant(s) meet Program income limitations.

## ***Contractor Participation Guidelines***

All Contractors must be approved by CHF. Contractors interested in participating in the Program must meet all requirements for participation as described herein and provide supporting documentation thereof to CHF for review.

(See "Doc #394559 – Contractor Participation Application & Checklist")

1. Return a completed and signed **Contractor Participation Agreement** to CHF.

**2. License and Business Information:**

Contractor must provide CHF with evidence that Contractor holds an active California General Building Contractor License in good standing.

**3. Insurance Requirement(s):**

Contractor shall, prior to initiating any Retrofit Work, and at all times during its activities in connection with Retrofit Work and the Program, obtain and keep in full force and effect at least the following minimum insurance policies and coverage:

- a. Commercial General Liability Insurance on an "occurrence" basis, with deductibles reasonably acceptable to CHF, covering the activities of Contractor in connection with the CHF Residential Energy Retrofit Program and Retrofit Work, and any and all resulting injury to persons and damage to real or personal property, with a combined single limit for bodily injury and property damage of not less than one million dollars (\$1,000,000) per occurrence and a two million dollar (\$2,000,000) general aggregate, which coverage may be furnished through a combination of primary and excess liability or commercial umbrella policies.
- b. Workers Compensation Insurance (at or above the minimum limit required by law) for all persons whom Contractor employs in carrying out its activities in connection with the Program and/or Retrofit Work; and
- c. A Surety Bond (at or above the minimum limit required by law and the California Contractors State License Board).

#### **4. Building Performance Institute (BPI) Certification(s):**

Must employ a BPI certified "Building Analyst(s)" to supervise the Retrofit Work, and to perform testing or auditing.

#### **5. Whole House Performance Experience and use of approved Modeling and Analysis Software:**

Contractor will need to understand whole-house performance and be able to use any CEC-required modeling and analysis software for whole-house retrofits or have access to a person that is able to use this software. An inability to understand and use CEC-required software will result in whole-house retrofits that are ineligible for funding. Contractor will need to furnish CHF with proof that Contractor has performed analysis and completed installation work on two (2) actual whole-house performance projects during the preceding 24 months. The whole-house performance approach, including the required modeling software, is discussed further in Section 3 below.

#### **6. Waste Management Plan:**

- a. The CEC requires that each Contractor complete a waste management plan for the Contractor's activities in connection with the Program ("Waste Management Plan").
- b. The documents that must be submitted to CHF are as follows:
  - "Doc #390228 – Waste Management Plan (Template)"
  - "Doc #390244 – Waste Management Plan Certification and Compliance Form"
- c. The Waste Management Plan must provide, at a minimum, the following components:
  1. The objectives of the plan (i.e. the goal may be to ensure that a certain percentage of all waste materials generated are recycled, reused, or otherwise diverted from a direct landfill etc.) as well as contact information for the Contractor concerning the plan.
  2. The goals of the plan (i.e. packaging will be kept to a minimum, material management should ensure that material is stored in weatherproof containers or otherwise protected from contamination and deterioration, etc.).
  3. A completed Certificate of Compliance: The Certificate of Compliance will require that each Contractor certify compliance with applicable state and federal laws and regulations. It will also require an EPA ID number for the Contractor. The Certificate of Compliance will also require:
    - The estimated amount of project waste materials that will be generated for the estimated number of Retrofit Projects that the Contractor believes will be completed by Contractor through the Program. The Contractor shall attach a chart that identifies the waste materials expected during the Program, their disposal method, and the handling procedures that will be employed while disposing of these materials. This information will be provided on a spreadsheet that will follow a format that will be directed by CHF.
    - The jurisdictions in which the Contractor believes the Retrofit Projects will be performed.

- d. Copies of the Waste Management Plan template, as well as technical assistance in completing the Waste Management Plan, can be obtained from CHF staff.

#### **7. Loading Order Principles:**

- Must promote the HERS II home improvement loading order principles: Energy Efficiency First, Renewable Energy last:
- Economically viable weatherization measures should be utilized first, including caulking, weather stripping, duct sealing, and insulation.
- Active energy consuming appliances should be considered next, including lighting, water heating, space heating and cooling, refrigeration, pool pumps, and all other energy consuming appliances.
- Renewable energy systems (Solar Photo-Voltaic, Solar Hot Water, etc.) can be modeled if they are economically viable, and only after accounting for the improved home performance of the energy efficiency measures already identified.

#### **8. Coordination with Workforce Investment Boards:**

All Contractors must coordinate with their local Workforce Investment Boards (“WIB(s)”) when performing Retrofit Work. Information about the local WIB for the jurisdiction in which any Contractor is performing Retrofit Work is available from CHF staff. Contractors must contact the local WIB to familiarize themselves with the purpose of the WIB and making the WIB aware of skill sets required for Retrofit Work. The Contractors must also contact the WIB when hiring for any positions that will perform work funded by the Program.

Quarterly, CHF will require Contractors to submit information to CHF detailing the contacts the Contractors have made with their local WIB(s) and itemizing the information that was exchanged with the WIB(s). CHF will provide forms to provide this information. This information will include, but not be limited to, the following:

- Positions hired in the immediately preceding quarter, and the number of such hires that were referred to the opening from the local WIB.
- Information provided to the WIB regarding training and skill sets required to perform Retrofit Work performed by the Contractor.
- Other information pertinent to the labor force needs of the Contractor and the training resources of the WIB.

Failure by any Contractor to coordinate with the local WIB, including failure to submit the required information to CHF on a quarterly basis, may result in the disqualification of that Contractor from participation in the Program.

#### **9. Program Training from CHF:**

CHF will establish mandatory Program training requirements for all Contractors (“Program Training Requirements”). Among other things, the Program Training Requirements will require the attendance of Contractors at CHF administered training sessions for the purpose of familiarizing the Contractor with the Program. Contractors who do not satisfy the Program Training Requirements will not be allowed to participate in the Program. CHF may modify the Program Training Requirements at any time and from time to time in its sole and absolute discretion.

## Section 3      Qualifying Energy Efficiency Measures

### *Tiered Delivery Approach to Energy Efficiency Measures*

The Program was designed to focus on the third tier of a three-tiered delivery approach for the use of Program funds for Retrofit Projects. To understand this “Tier III” approach, the Contractor and the Applicant(s)/Borrower(s) must understand the “whole-house performance” concept endorsed by the Program.

“Whole house performance” work is a whole-house approach to improving the comfort and energy efficiency of a home. Contractors that are performing “whole-house performance” or “whole-house retrofit” work are trained and equipped to test, diagnose and fix problems that exist in a home. Their specializations can be air sealing, heating and cooling, insulation, energy auditing and even general contracting. The difference between a contractor performing a whole-house retrofit that has a heating and cooling specialization and a heating and cooling contractor is their goal. The heating and cooling contractor is interested primarily in installing heating and cooling equipment. The contractor with a heating and cooling background that is performing a whole-house retrofit will test a home and, based on a thorough diagnosis of the energy efficiency of the home, determine what measures are necessary to increase the energy efficiency of the house. This determination may or may not include new heating and cooling equipment. The contractors doing this type of work use special diagnostic equipment to evaluate a home. The blower door test, for example, is the signature diagnostic tool of the whole-house performance contractor.

Among other items, contractors performing whole-house retrofits can develop solutions to the following:

- High energy bills;
- Drafts in the home;
- Cold spots in the home;
- Warm spots in the home;
- Mold problems;
- Moisture problems;
- Ice dams on the roof;
- Poor air quality;
- Water on the windows; and/or
- Back drafts caused by poor combustion from the furnace and hot water tank.

The three-tiered delivery approach to increasing energy efficiency is a stepped approach that begins with the most fundamental measures in Tier I and works toward the “whole-house performance” concept in Tier III.

**Tier I** energy efficiency measures include low-cost items that can be determined through visual inspection by a minimally trained person. This approach usually results in low energy cost savings per residence.

### Examples of Tier I Work – Low-cost Walk-through Using Newly Trained Entry Level Labor

- Provide and/or install CFLs, low-flow showerheads, faucet aerators;
- Identify appliances near end of useful life that are eligible for utility rebates and consider Energy Star Appliances, such as refrigerators, dishwashers and clothes washers, for replacement; and
- Provide information on ways to operate home to save energy, including D-I-Y measures, available rebates, tax credits and financing.

**Tier II** includes measures that require installation by a specialty contractor, such as an HVAC or Insulation contractor, who can be trained in a short amount of time to provide quality installation of measures within the scope of their special contractor license. These measures would conform with the California building energy Efficiency Standards (Title 24, Part 6 and related Part 1 requirements) using field verification protocols specified by the Standards Reference Appendices. Work in this tier usually results in moderate savings per home.

### Examples of Tier II Work – Installation Retrofits Using Newly Trained Single Trade Contractors

- install attic insulation (pull permit and comply with T-24 retrofit insulation R-value);
- Insulate un-insulated walls (pull permit and comply with T-24 field verification);
- Install floor insulation (pull permit and comply with T-24 field verification);
- Complete building envelope sealing (pull permit, comply with T-24 field verification);
- Complete duct sealing (pull permit and comply with T-24 field verification);
- Replace near end of useful life air conditioner or furnace with CEE qualifying model (pull permit, comply with T-24 refrigerant charge, airflow and duct sealing verification);
- Replace near end of useful life water heater with CEE model (solar water heating);
- Install cool roof when reroofing (pull permit and comply with T-24 alterations requirements.);
- Install radiant barrier (pull permit and comply with T-24 criteria);
- Install Energy Star windows (pull permit and comply with T-24 alterations requirements); and
- Install WaterSense toilets, showerheads, landscape irrigation controllers.

**Tier III** is the “whole-house retrofits” approach. This approach is based on the HERS II Rating system (or other rating systems approved by the CEC) and uses raters and building performance contractors trained to accomplish deeper, comprehensive retrofits that achieve high savings per home. The Program is designed to use primarily the Tier III approach.

Tier III delivers comprehensive, whole-house energy efficiency measures that consider the interactive nature of the energy features in a home. The Third Tier focuses on “House as a System” principles, using, as discussed above, diagnostic tools to ensure high quality, well integrated measures that deliver not only energy

efficiency and climate change mitigation, but also improved comfort, indoor air quality, and safer and quieter home environments. This integrated approach will address all of the home's energy using features, resulting not only in energy savings but also often more valued comfort, indoor air quality, combustion safety, and noise attenuation benefits which increase Program participation.

Measures could include building air sealing verified using blowerdoors, duct sealing verified using duct blasters, efficient duct design and installation verified through airflow measurement tools, insulation quality and thermal bypass avoidance verified through infrared cameras, and proper air conditioner refrigerant charge using gauges. Work will be evaluated and verified in accordance with CEC requirements.

#### Examples of Tier III Work – Whole-House Deep Retrofits Using HERS Phase II

- Correct thermal barrier defects – these defects allow cold and hot air from the attic, crawlspace or outside to leak into the interior walls and under insulation substantially reducing the effectiveness of insulation (assisted with blowerdoor and IR camera);
- Correct duct leakage (assisted with ductblaster);
- Correct insulation defects (assisted with blowerdoor and IR camera); Correct Combustion safety hazards;
- Correct air conditioner and furnace installation defects (assisted with refrigerant charge gauges and airflow devices);
- Install all second tier measures determined cost effective and applicable for the house; and
- Install PV System that is well integrated with energy efficiency

### ***Energy Audits and CEC Approved Modeling Software***

An Initial Energy Audit must be performed on the subject property to quantify the energy savings which are expected to result from the Retrofit Work.

#### **Initial Energy Audit (“Test In” Audit)**

CEC-approved software must be used to perform the Initial Energy Audit. It is imperative, that any Contractor either understand and be able to use CEC-approved software for whole-house retrofits or have access to a person that is able to use this software. An inability to understand and use CEC-approved software, or to use someone who does, will result in whole-house retrofits that are ineligible for Program funding. Currently “EnergyPro” is the only CEC-approved software for whole-house retrofits. Contractors seeking training on EnergyPro can contact CHF staff for information on training resources.

A certified HERS II rater who is not an employee or does not have a financial interest in the Contractor's company, or an employee of the Contractor, who is a trained auditor or building analyst (certified through Building Performance Institute) may perform the Initial Energy Audit.

Auditor must use the Residential Performance software module for EnergyPro, and provide CHF with the ECON-2 (Energy Upgrade Recommendations Report) generated by EnergyPro, as this report shows the annual savings and Time dependent Valuation (TDV) figures that will be reviewed by CHF for project approval.

### Final Energy Audit ("Test Out" Audit)

After completion of the Retrofit Work, a Test Out Audit must be performed by an independent HERS Rater. This requires a physical on-site inspection of the subject property.

The Final Energy Audit verifies that 1) all measures required by and in accordance with the terms of the Home Improvement Contract and Addendum have been completed; 2) all installed equipment is working properly; and 3) that the work meets the specifications required to achieve the estimated energy savings indicated by the initial energy audit performed by the Contractor.

If the Retrofit Work does not pass the Final Energy Audit, the Contractor will not be paid for the Retrofit Work.

The HERS Rater must upload the appropriate files to the CalCERTS website and generate a final HERS II report and rating. The HERS Rater can accept EnergyPro files (BLD file) from the Contractor as a starting point for their rating simulations. However, they are ultimately the one responsible for the data collection, analysis and the accuracy of what is reported to CalCERTS.

### CHF Grant Provided to Cover Cost of Audits

Contractors should include a cost of no more than \$700 total for the energy audits outlined above on the Applicant's(s') Home Improvement Contract (a maximum of \$400 for Initial Energy Audit and \$300 for Final Energy Audit). The Home Improvement Contract must also reflect that CHF may award a grant (up to \$700) to cover these audit fees upon project completion.

If the Loan and Grant application is not approved or if the project is not funded, Contractors are prohibited from seeking or collecting payment from Applicant(s) for these energy audit fees, if the audits were performed in conjunction with this Program.

### ***"Net Cash-flow Neutral or Positive" Requirement***

Energy efficiency measures at the Tier III level will qualify for a Loan under the Program only if the estimated monthly energy savings in dollar amounts are equal to, or exceed, the net monthly cost to fund these improvements. This requirement is referred to as "net cash-flow neutral or positive."

An example of a "net cash-flow neutral or positive" project that would be eligible for a Loan would be a Retrofit Project that results in \$60 in energy cost savings per month, where the net cost to finance the project is \$45 per month.

The Project Financial Analysis Worksheet contains the steps necessary to determine whether a project will be "net cash-flow neutral or positive". The worksheet performs some calculations automatically and enters the amounts into the appropriate boxes, thus making the analysis as simple as possible. The analysis itself, however, is relatively straightforward.

Part 1 and Part 2 of the form determine the actual "net project cost" of a retrofit. Part 1 determines the gross cost of the Retrofit Project, while Part 2 lists any Grants or other funding that the project is receiving and any utility rebates that lower the project cost. The "net project cost" of a retrofit is then listed in Part 3 of the worksheet.

Part 4 of this form determines the cost of financing the “net project cost.” This is the actual cost that the homeowner will be paying for the loan that will finance the retrofit. By choosing the appropriate interest rate, the worksheet will then calculate both the monthly and annual cost of a Retrofit Project.

Part 5 of the form performs the actual energy efficiency analysis of the Retrofit Project. This analysis is performed by using the “net project cost” from Part 3 and subtracting out the standard equipment replacement costs for any equipment replaced during the retrofit, as well as any tax credits for this replacement that may be received in the future. The worksheet subtracts this cost from the “net project cost” because the Program assumes that the replacement of any equipment is performed because the equipment is ready for replacement. The standard cost of the equipment replaced should be the standard cost of replacing the equipment that is appropriate for the residence where the work is performed. Only the cost of upgrading replaced equipment to a newer, more energy efficient model of the same equipment is considered for the energy efficiency analysis.

The remaining cost of the retrofit (i.e., the cost of the retrofit after subtracting out the costs of an exact replacement of all equipment and any applicable tax credits) is then used to calculate the financing costs. The financing costs of this amount are then compared to the calculated energy savings using costs and savings for the same period, such as annual costs vs. annual savings. If the comparison shows that the retrofit will be “net cash-flow neutral or positive,” then the Retrofit Project is eligible for financing from the Program.

### ***Eligibility of Renewable Energy Measures***

Renewable energy systems (Solar Photo-Voltaic, Solar Hot Water, etc.) can be modeled, if economically viable and only after accounting for the improved home performance of the energy efficiency measures already identified. This is consistent with the loading order principles that require energy efficiency issues to be addressed first.

Renewable energy measures cannot be eligible for financing from the Program unless at least a 10% improvement in energy savings are achieved from energy efficiency improvements to the residence.

## **Section 4      Financial Assistance**

### ***CHF Loan – Terms and Conditions***

CHF financing is available for qualifying Retrofit Projects only. The Loan is a 15-year fully amortizing loan with a fixed interest rate.

(See “Program Term Sheet” for current interest rates)

Note: All Retrofit Projects must satisfy the “net cash-flow neutral or positive requirement” to be eligible for a Loan and Grants.

There is neither a minimum nor maximum Loan amount. In addition to the cost for the Retrofit Work, the amount borrowed may include title insurance, escrow fees and recording fees for the Loan. The Loan will be secured by a fixture filing -a recorded security interest in the equipment installed on the property.

No Loan funds will be disbursed until all Retrofit Work is complete, the Retrofit Project passes the Final Energy Audit, CHF has performed a post-installation inspection, the Borrower(s) and Contractor have executed a “Certificate of Completion,” and all necessary documentation has been provided to CHF and/or the preferred Title Company as noted on the Program Term Sheet.

In order to obtain a Loan, each Borrower will be subject to and must meet the underwriting criteria as specified below. There are no combined loan-to-value (CLTV) limits.

The underwriting criteria are as follows:

- All person(s) listed on the property title must apply for the Loan.
- Income must be at 60% or more of Area Median Income and may not exceed 160% Area Median Income;
- The Borrower’s(s’) property must be located in one of the eligible counties;
- The Borrower(s) must be current on any existing mortgage;
- The Borrower(s) must be current on property taxes;
- The Borrower(s) must have a current source of income which can be demonstrated by either two month’s pay stubs or other method approved by CHF;
- The Borrower(s) must provide proof of any liens against the property;
- The Borrower(s) must provide copies of any Deed of Trust recorded against the subject property; and
- The project must either receive SHPO approval or be exempt from SHPO Approval.

Finally, the Applicant will be asked to furnish the Contractor with one year of energy bills for the subject residence in order for the Contractor to be able to perform the financial feasibility analysis for the Retrofit Project.

### ***CHF Grant(s) – Terms and Conditions***

A Grant to offset the Retrofit Project cost is available to Borrowers. Grants are also available to cover the cost of the Initial Energy Audit and the Final Energy Audit.

(See "Program Term Sheet" for the size of the CHF Grant(s))

The Grants will be awarded only when all of the conditions to Loan funding have been satisfied, including, but not limited to, the requirement that the Retrofit Work pass the Final Energy Audit.

### ***Utility Rebates & Incentives***

The eligible jurisdictions for this Program encompass numerous electric, gas, and other energy providers, or utilities. Many utility companies offer some kind of energy rebates or incentives related to energy efficiency work.

Applicant(s) and Contractor should be certain to explore the rebates available. Rebates are subject to availability and can change at any time. Check with the utility provider for the most current information on rebates and/or incentives.

## Section 5 Process Flow

### ***Phase 1: Loan & Grant Application***

To apply for the CHF Loan and Grants, the Contractor must meet with the Applicant(s) and complete several steps to determine whether the Applicant(s) and the subject property could be eligible for a Loan and Grants. These steps are addressed below.

***STEP 1 Contractor completes **PRE-SCREENING*****

The Contractor must interview the Applicant(s) to determine whether the Pre-Screening Criteria are satisfied.

(See "DOC #373235 – Preliminary Eligibility Questions")

***STEP 2 Contractor obtains **SHPO APPROVAL*****

The subject property must either be verified as exempt from SHPO approval or receive SHPO approval.

(See "DOC #390242 – SHPO Contractor Consultation Form")

***STEP 3 Contractor completes **FINANCIAL FEASIBILITY ANALYSES*****

If all Pre-Screening Criteria are satisfied and the property is either exempt from SHPO approval or SHPO approval has been obtained, Contractor will perform the Initial Energy Audit and complete the Financial Analysis Worksheet to determine if the project is financially feasible (meets CHF's [Net Cash-flow Neutral or Positive Requirement](#)).

(See "DOC #373233 – Project Financial Analysis Worksheet")

***STEP 4 Applicant(s) submit(s) **LOAN & GRANT APPLICATION PACKAGE*****

If Contractor determines that the project is financially feasible and meets CHF's [Net Cash-flow Neutral or Positive Requirement](#), Contractor will work with Applicant(s) to provide a complete Loan & Grant Application Package to CHF for review.

See "Doc #394561 – Loan & Grant Application Checklist"

### ***Phase 2: Loan & Grant Approval***

Once the completed Loan & Grant Application Package is received by CHF, CHF will review the package to determine whether to approve the Applicant(s) for the CHF Loan and Grants.

- If CHF determines to deny credit to the Applicant(s), CHF will send an Adverse Action Notice (AAN) to the Applicant(s) and notify the Contractor thereof.
- If the Loan and Grant Application is approved, CHF or Contractor will deliver the Loan documents to Borrower(s) for signature.

Once the Loan documents have been executed by Borrower(s), Contractor will return the Loan documents to CHF and provide CHF with an estimated completion date for the project.

See "Doc #394564 – Loan Approval Checklist"

### ***Phase 3: Project Installation***

Once CHF receives the complete, executed loan package from the Borrower, CHF will wait three (3) business days (in accordance with the Notice of Right to Cancel) before sending the Notice of Loan and Grant Approval to Contractor and/or Applicant(s). If the Borrower rescinds the Loan pursuant to the Right to Cancel, CHF will not provide a Loan or Grants for the Retrofit Project.

Contractor may start the Retrofit Project once the Contractor receives the Notice of Loan and Grant Approval from CHF. However, CHF suggests that the Contractor confirms with Borrower(s) that the right of rescission was not exercised by having the Borrower(s) execute the Certification of Non-Cancellation on page 2 of the Notice of Loan and Grant Approval.

All Retrofit Work must be fully completed and all equipment installed and tested to ensure the equipment is fully operational and conforms with the terms of the Retrofit Project as set forth in the Home Improvement Contract and Initial Energy Audit report. All Retrofit Work must be performed using appropriate permits for the jurisdiction in which the work is performed. All Retrofit Work must address energy efficiency measures first. Any energy renewal work that will be funded by this Program will only be funded after all energy efficiency work on the residence will be completed.

### ***Phase 4: Project Completion & Funding***

No funds will be dispersed from the Program until all Retrofit Work is fully completed and verified and all required documentation is provided to CHF for review and approval.

All steps required for project completion and funding are addressed below.

#### ***STEP 1 Contractor orders FINAL ENERGY AUDIT***

After the Contractor performs the Retrofit Work, Contractor will order the Final Energy Audit. When/if the Final Energy Audit is complete and approved by CHF, Borrower(s) and Contractor will execute the Certification of Completion form from CHF.

After completion, the Retrofit Work will be further verified through an independent third-party post-installation inspection to ensure the scope of work has not altered from the agreed-upon and approved proposal.

#### ***STEP 2 CHF Records HOME PERFORMANCE DATA***

After the Final Energy Audit is completed and approved by CHF, CHF will furnish the Homeowner with a Home Performance Label to be affixed inside the electrical box on the house. This label will reference information concerning the energy efficiency work performed on the home.

**STEP 3** Contractor requests **INITIAL DOCS FROM TITLE COMPANY**

After Contractor completes the Retrofit Project, Contractor shall contact the Title Company to obtain the "Borrower Estimated Settlement Statement" and "Borrower Escrow Instructions" for Borrower(s) to review and ultimately sign.

See the "Program Term Sheet" for Title Company contact information.

*Note: Contractor may request these documents via e-mail, referencing the Escrow # from the Notice of Loan and Grant Approval provided by CHF. Contractor may deliver these documents to Borrower(s) directly.*

*Note: Borrower(s) may use another escrow company if Borrower(s) does(do) not wish to use the preferred Title Company. Borrower(s) will be responsible for any additional costs.*

**STEP 4** Contractor requests **BORROWER TO REVIEW AND SIGN ESCROW DOCS**

Contractor will contact Borrower(s) to request that Borrower(s) review and sign the Borrower Estimated Settlement Statement and the Borrower Escrow Instructions.

**STEP 5** Contractor sends **SIGNED CLOSING DOCS TO TITLE COMPANY**

Upon execution by the Borrower(s), Contractor will return the signed Borrower Estimated Settlement Statement and the Borrower Escrow Instructions, along with a final project invoice, to the preferred Title Company as noted on the Program Term Sheet.

See "Doc #394563 - Project Completion & Funding Checklist"

*Note: The Contractor's final project invoice must match the documentation provided to CHF at time of application. The total amount due should match the amount financed by the Loan, plus all applicable Grants.*

**STEP 6** Contractor **RELEASES LIENS AND SENDS FINAL DOCS TO CHF**

As a final condition to closing, Contractor must deliver to Borrower(s) and CHF lien releases from Contractor, and all subcontractors and suppliers. Specifically the Contractor must deliver:

- Lien releases received from Contractor and any subcontractors, and
- Lien releases received from all suppliers.

See "Doc #394563 - Project Completion & Funding Checklist"

Contractor will then provide to CHF all of the documents listed in the Project Completion and Funding Checklist (the "Project Completion and Funding Package"). Once the Project Completion and Funding Package is received by CHF, CHF will review the documents to determine if all of the conditions to funding the Loan and issuing the Grant(s) have been satisfied. CHF and/or the preferred Title Company will contact Contractor with any outstanding issues.

If all Loan funding and Grant conditions are met, CHF will distribute the Loan funds to the escrow established at the preferred Title Company. The preferred Title Company will distribute the funds in accordance with the Borrower Estimated Settlement Statement and the Borrower Escrow Instructions.

## **Section 9            Marketing Guidelines**

Contractor must abide by CHF marketing guidelines, as specified in this Contractor Procedures Manual, the Contractor Participation Agreement, and elsewhere. It is the responsibility of the individual Contractor marketing the Program to ensure that information on advertising or promotional materials is current and accurate. Misrepresentation of the Program or of CHF is not allowed.

### **Marketing Materials Provided by CHF**

In order to assist Contractors with marketing the Program, CHF has developed marketing materials, such as flyers and brochures, in Adobe PDF template format. These templates contain information about the Program, its advantages to homeowners and basic guidelines. They are not a substitute for complete Program guidelines, as published in the Program Term Sheet, this Contractor Procedures Manual, or elsewhere. **The marketing material templates are intentionally designed with input fields for the Contractor to add the contractor license number and contact information.**

Note: Only CHF approved Contractors may utilize the marketing material templates provided CHF.

*If you do not have a version of Adobe Acrobat or another graphics program that allows you to electronically add contact information, you may want to affix a business card or label with your contact information on it. Some individuals have even chosen to purchase an ink stamp and stamp the materials with their contact information and/or logo. Due to time and resource constraints, NHF is unable to customize the templates for individuals.*

To download Adobe Reader, go to <http://get.adobe.com/reader/>

Except for customizing the materials with the Contractor's company logo, contact info, and any applicable disclaimers and licensing information, the materials may not be altered in any way. The artwork may not be used for any other purposes or placed into other documents.

By using the CHF marketing materials, the Contractor agrees and represents that:

- a) The Contractor is a validly licensed Contractor in the state of California;
- b) The Contractor does not have, nor does CHF grant to the Contractor a trademark license in the CHF trademark;
- c) The Contractor will not misrepresent Contractor's relationship with CHF, nor present false or misleading information about the Program;
- d) The materials are provided as-is without any warranty of any kind; and

- e) The Contractor acknowledges that legal issues may arise in connection with co-branding these materials and that the Contractor is responsible to ensure that these materials, as customized by the Contractor, are in compliance with all federal state, and local laws and regulations.

## **Section 10    Contacting CHF**

CHF staff is available to discuss any questions or problems that a Contractor may have while participating in the Program.

Please contact CHF staff through normal business hours by calling toll-free (855) 740-8422, or by email at [info@chfloan.org](mailto:info@chfloan.org).

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