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GSFA Residential Energy Retrofit Program

Procedures Manual for Contractors

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Section 1 Introduction

Program Summary

The GSFA Residential Energy Retrofit Program (the "Program") provides financial assistance (currently in the form of a loan) for the installation of high-efficiency equipment and/or systems and other qualifying energy efficiency improvements on residential homes. Golden State Finance Authority ("GSFA") is the administrator of the Program. GSFA is a California Joint Powers Authority and affiliate of Rural County Representatives of California. For more information about GSFA and the Program, please visit www.gsfahome.org.

The Program is funded through private third party financing sources ("BANK(s)") which provide loans ("Loan(s)") to Program applicants ("Applicant(s)") who qualify for financing under the Program.

The BANK Loan proceeds must be used for qualifying energy efficiency home performance measures ("Retrofit Work" or "Retrofit Project"), as defined in this manual, on a residence owned by the Applicant(s). BANK will accept Credit Applications ("Credit App(s)") under the Program until Program funds are fully committed as specified in the applicable Program Term Sheet(s).

Only contractors who are approved by GSFA ("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 GSFA and Contractor ("Contractor Participation Agreement"), and such other procedures and directives as may be issued by GSFA, BANK and Other Funding Sources.

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

The Basic Process (See Section 5 for step-by-step Process Flow)

1. Pre-screening and Credit Approval

The Contractor will pre-screen potential Applicant(s) to determine whether certain threshold eligibility criteria are satisfied.

If the pre-screening criteria are satisfied, the Contractor will provide a BANK Credit App to Applicant(s) for completion, signature and submission to GSFA for BANK review/approval. (See Term Sheet for general borrower underwriting guidelines.)

2. BANK Loan Request

Upon Applicant(s) approval for credit from BANK ("Credit Approval"), Contractor will perform an initial energy inspection or audit ("Test-in") on the Property and provide Applicant(s) with recommendations for Retrofit Work to be funded through the Program. (See [Section 3](#))

The Contractor will then assist the Applicant(s) with completing and submitting a "Loan Request Package" to GSFA for review/approval. The Loan Request Package will include details about the proposed Retrofit Project, energy savings and other supporting documentation as outlined in this manual.

3. BANK Loan Approval

GSFA will review and evaluate the Loan Request Package on behalf of BANK. If the BANK Loan Request is approved, GSFA will prepare and send Loan documents out

for borrower(s) ("Borrower(s)") signature. Once GSFA receives the signed Loan documents back, and if everything else in the Loan file is in order, GSFA will issue a "Notice of Loan Approval" to Contractor and/or Applicant(s).

4. Project Installation

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

5. Project Completion & Funding

After the Contractor completes the Retrofit Work, the Contractor will request a final energy inspection ("Test-out") on the Property. ([See Section 3](#)). If the Test-out satisfactorily meets the Program requirements, the Contractor will submit a Project Completion and Funding Package (defined below) to GSFA for review. Upon GSFA's approval of the Project Completion and Funding Package, BANK will distribute funds into an escrow through which the Contractor will be paid for the Retrofit Work, pursuant to the instructions of the Borrower(s).

Section 2 Participation Guidelines

Property Eligibility

An eligible Property must satisfy the following criteria:

- Property must have utilities provided, in part or in full, by Pacific Gas and Electric Company (PG&E);
- Property must be a single-family, 1-4 unit residential property¹;
- Any other specific property eligibility guidelines as specified on the Program Term Sheet.

Applicant Eligibility

Eligible Applicant(s) must satisfy the following criteria:

- Must be current on any mortgage(s) and property taxes on the Property;
- Must have a current source of income;
(No min or max income limit for eligibility. 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 Credit Approval Package.)
- Must have a minimum credit score of 640;
- Applicant's(s') debt-to-income ratio (DTI Ratio) must not exceed 45%; and
- Any other specific borrower eligibility requirements as specified on the applicable Program Term Sheet.

Contractor Participation Guidelines

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

(See "Contractor Participation Application & Checklist")

A. ALL Contractors must:

1. Sign and return "GSFA Contractor Participation Agreement";
2. Obtain and keep in full force, and effect:
 - a. Commercial General Liability (\$1M per occurrence; \$2M aggregate)
 - b. Workers Compensation
 - c. Surety Bond; and
3. Participate in a GSFA Contractor Participation Workshop.

¹ 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.

B. Additional requirements to participate in GSFA Basic Home Upgrade:

1. Approved as an EUC Home Upgrade Contractor; and
2. Possess a valid Class B or C (C-2 and C-20) license.

C. Additional requirements to participate in GSFA Advanced Home Upgrade:

1. Possess a valid Class B license;
2. Approved as a EUC Advanced Home Upgrade Contractor OR show evidence of participation in analysis and installation on two (2) whole house performance projects within preceding 24 months;
3. Employ a Building Performance Institute (BPI) Professional on staff; and
4. Be able to use the required energy modeling and analysis software for whole-house retrofits or have access to a person that is able to use this software.

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:

- Commercial General Liability Insurance on an “occurrence” basis, with deductibles reasonably acceptable to GSFA, covering the activities of Contractor in connection with the GSFA 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.
- 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
- A Surety Bond (at or above the minimum limit required by law and the California Contractors State License Board).

Section 3 Qualifying Energy Efficiency Measures

Qualifying energy efficiency measures that can be funded through this Program are divided into two (2) home performance paths as follows:

- GSFA Basic Home Upgrade
- GSFA Advanced Home Upgrade

GSFA Basic Home Upgrade

The GSFA Basic Home Upgrade home performance path closely aligns with the EUC Home Upgrade Program, in that homeowners select energy efficiency improvements to include in their Retrofit Project from a pre-determined list of eligible energy efficiency measures. (See Program form “Basic Home Upgrade Checklist of Measures”)

For approval, a GSFA Basic Home Upgrade project must meet the following guidelines:

- Property must have utilities provided, in part or in full, by PG&E;
- Homeowner must install at least one (1) base measure;
- Homeowner must install at least one (1) tangible piece of equipment (i.e. gas furnace, air conditioner, and/or a water heater; and
- The total upgrades must equal a minimum of 100 points.

GSFA Advanced Home Upgrade

The GSFA Advanced Home Upgrade path focuses on a whole-house approach to energy efficiency home performance work.

This path delivers comprehensive, whole-house energy efficiency measures that consider the interactive nature of the energy features in a home. Contractors use specific diagnostic tools and energy modeling software 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.

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.

Measures could include building air sealing verified using blower doors, 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 Program requirements.

Energy Audits and Approved Modeling Software

Energy audits are required on all Retrofit Projects approved under the Program. Contractors should include the cost of the energy audits in the Applicant's(s') Energy Retrofit Contract.

Initial Energy Audit ("Test-in")

Upon verification of BANK Credit Approval, and prior to BANK Loan Approval, a Contractor will perform a Test-in on the Property.

A. GSFA Basic Home Upgrade Projects

GSFA provides financing for EUC Approved Home Upgrade projects only under the GSFA Basic Home Upgrade path. For this reason, Contractors should follow the Test-in requirements established by EUC for Home Upgrade projects. GSFA does not require any additional testing beyond what is required by EUC.

B. GSFA Advanced Home Upgrade Projects

For GSFA Advanced Upgrade projects, the Test-in consists of a BPI Test-in and energy modeling of the home with the Program-approved audit software in order to quantify the energy savings expected to result from the recommended Retrofit Work. The Contractor may utilize the BPI personnel on staff or sub-contract the BPI Test-in to another BPI certified person who is not an employee of the Contractor.

Approved energy auditing software programs are as follows:

- CAKESYSTEMS™
- SnuggPro
- OptiMiser®

For all of the approved energy auditing software programs, the Contactor must provide GSFA with the report generated through the auditing/modeling procedure, specifically the section of the report showing the annual energy savings figures that will be reviewed by GSFA for project approval. (See "[Energy Savings Requirement](#)" below.)

It is imperative, that the Contractor either, understands and is able to use the approved software, or have access to a person that is able to use this software. An inability to understand and use the approved software will result in GSFA Advanced Home Upgrade projects that are ineligible for Program funding.

Final Energy Audit (“Test-out”)

After completion of the Retrofit Work, a Test-out must be performed on the Property. This step must be completed in a satisfactory manner in order for the Contractor to be paid for the Retrofit Work. Contractors are not to charge the Borrower for any additional Test-out inspections that may be required if the first Test-out does not pass Program requirements.

A. GSFA Basic Home Upgrade Projects

For GSFA Basic Home Upgrade projects, Contractors should follow the Test-out requirements established by EUC for Home Upgrade projects. GSFA does not require any additional testing beyond what is required by EUC.

B. GSFA Advanced Home Upgrade Projects

For GSFA Advanced Home Upgrade projects, the Test-out consists of a BPI Test-out and energy modeling of the home with the Program-approved audit software in order to quantify energy efficiency now that the retrofit work is completed.

Once the BPI Test-out is completed, the Contractor must furnish a copy of Test-out energy modeling report to GSFA as part of the “Completion and Funding Package”.

Energy Savings Requirement

To qualify for a BANK Loan under the Program, all Retrofit Projects must meet the following Energy Savings Requirement (ESR):

- **GSFA Basic Home Upgrade projects:**
See GSFA Doc#50029 – “GSFA Basic Home Upgrade List of Measures”. (Project must consist of a minimum of 1 base measure, 1 piece of equipment, and a total of 100 points.)
- **GSFA Advanced Home Upgrade projects:**
The estimated annual energy savings for the Retrofit Project, as specified on the energy auditing report generated during the Test-In, must be 10% or higher.

Renewable Energy Measures Ineligible

Renewable energy measures ARE NOT eligible for financing under the GSFA Advanced Home Upgrade path.

Section 4 Financial Assistance

BANK Loan –Terms and Conditions

All transactions to be financed under the Program must meet the following underwriting criteria as follows:

- All person(s) listed on the property title must apply for the Loan.
- 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 BANK;
- The Borrower(s) must have a minimum credit score of 640;
- The Borrower(s) must not exceed a debt-to-income ratio of 45%;
- The Borrower(s) must provide proof of any liens against the property; and
- The Borrower(s) must provide copies of any Deed of Trust recorded against the subject property.

Additional BANK Loan terms and underwriting criteria are specified in the Program Term Sheet, maximum loan amounts, borrower fees and geographic jurisdictions. BANK Loan interest rates are specified in the Program Term Sheet.

In addition to the cost for the Retrofit Work, the amount borrowed may include title insurance, escrow fees and recording fees for the Loan, up to the maximum loan amount, as specified in the Program Term Sheet.

The BANK Loan will be secured by a UCC-1 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 Test-out, the Borrower(s) and Contractor have executed a "Certificate of Completion," and all necessary documentation has been provided to GSFA and/or the BANK as noted on the Program Term Sheet.

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: Credit Approval

Before a Retrofit Project can be approved under the Program, Applicant(s) must obtain Credit Approval from BANK, including how much the Applicant(s)/Borrower(s) qualify for in BANK financing.

STEP 1 Contractor completes **PRE-SCREENING**.
The Contractor must interview the Applicant(s) to determine whether the Pre-Screening Criteria are satisfied.
(See "Preliminary Eligibility Questions")

STEP 2 Applicant(s) submits **CREDIT APPROVAL PACKAGE** to GSFA.
If the Applicant(s) looks to meet the Pre-Screening Criteria to be eligible to participate in the Program, Contractor will work with Applicant(s) to provide a complete Credit Approval Package to GSFA for review.
(See "BANK Credit Approval Checklist")

Credit Approval will be processed by BANK within 3-4 business days. Upon Credit Approval, BANK will send acknowledgement of Credit Approval, with an associated maximum amount that can be borrowed, to Contractor and/or Applicant(s). BANK Credit Approval is valid for 90-days.
If Applicant(s) is not approved, BANK will issue an Adverse Action Notice (AAN) to Applicant(s), and notify GSFA, whom will notify the Contractor.

Phase 2: Loan Approval

In the second phase of the Program, the Applicant(s)/Borrower(s) request Loan Approval for a qualifying Retrofit Project.

STEP 1 Contractor completes **TEST-IN** and **PROPOSAL FOR RETROFIT WORK**.
Upon Applicant's(s)/Borrower's(s) Credit Approval, Contractor will perform the initial energy inspection (Test-in) on the Property and prepares a proposal for Retrofit Work to review with Applicant(s)/Borrower(s).

The proposed Retrofit Project must satisfy the Program requirement of a minimum required energy savings as described in [Section 3](#) above under "Energy Savings Requirement".

STEP 2 Applicant submits **LOAN REQUEST PACKAGE** to GSFA.
If the Energy Savings Requirement will be satisfied with the recommended Retrofit Work, the Contractor will work with Applicant(s) to submit a Loan Request Package to GSFA for review.

The Loan Request Package will include documents, such as a "BANK Loan Request", copy of the "Energy Retrofit Contract" (and GSFA required "Addendum to the Energy Retrofit Contract") between the Contractor and the Applicant(s), a "Project Financial Overview Worksheet" and Initial Energy Upgrade Recommendations Report ("ECON-2") showing the estimated energy use reduction from the proposed Retrofit Project.
(See "Loan Request Package Checklist" for complete list)

STEP 3 Borrower(s) return(s) executed and signed **LOAN DOCUMENTS** to GSFA. GSFA will process the Loan Request Package, on behalf of BANK, within 3-4 business days. Upon Approval for a BANK Loan, GSFA will provide Loan documents to Borrower(s) for signature, via Contractor.

Note: GSFA will provide escrow documents (for Borrower(s) signature) along with BANK Loan documents. No coordination between Title Company and Contractor is necessary. Borrower(s) may use a different escrow company than the Preferred Title Company selected by the Program, if they so choose, however, Borrower(s) will be responsible for any additional costs incurred, as GSFA has negotiated specific Program fees through the Preferred Title Company.

Once the Loan documents have been executed by Borrower(s), Contractor will assist Borrower(s) in returning signed Loan documents to GSFA and provide GSFA with an estimated completion date for the project.

If Borrower(s) is/are not approved for a BANK Loan because the Retrofit Project does not meet Program guidelines, the Contractor and/or Borrower(s) will be contacted and provided with information as to why the Retrofit Project cannot be approved.

Phase 3: Project Installation

Once GSFA receives the executed Loan Documents, GSFA will send the "Notice of Loan Approval" to Contractor and/or Borrower(s) and Contractor may start the Retrofit Project.

All Retrofit Work must be fully completed and all equipment installed and tested to ensure the equipment is fully operational and conforms to the terms of the Retrofit Project as set forth in the Energy Retrofit Contract and Test-in report. All Retrofit Work must be performed using appropriate permits for the jurisdiction in which the work is performed.

Phase 4: Project Completion & Funding

No funds will be dispersed from the Program until all Retrofit Work is fully completed and verified, all conditions as stated in Loan and Security Agreement and all required documentation is provided to GSFA for review and approval.

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

STEP 1 Contractor orders **FINAL ENERGY AUDIT (TEST-OUT)**.
After the Contractor performs the Retrofit Work, the Contractor orders the Final Energy Audit (Test-out) as defined in [Section 3](#) and the Borrower(s) and Contractor will execute the Certification of Completion form from GSFA.

STEP 2 Contractor **RELEASES LIENS** and **SENDS PROJECT COMPLETION & FUNDING PACKAGE** to GSFA.
As a final condition to closing, Contractor must deliver to Borrower(s) and GSFA 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.

Contractor will then provide a complete Project Completion and Funding Package to GSFA. Once the Project Completion and Funding Package is received by GSFA, GSFA will review the documents to determine if all of the conditions to funding the BANK Loan have been satisfied. GSFA and/or the preferred Title Company will contact Contractor with any outstanding issues. See "Project Completion & Funding Checklist"

If all Loan funding conditions are met, BANK 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 6 Marketing Guidelines

Contractor must abide by GSFA 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 GSFA is not allowed.

Marketing Materials Provided by GSFA

In order to assist Contractors with marketing the Program, GSFA 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 text-only input fields for the Contractor to add the contractor license number and contact information.

Note: Only GSFA approved Contractors may utilize the marketing templates.

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, GSFA 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 GSFA marketing materials, the Contractor agrees and represents that:

- The Contractor is a validly licensed Contractor in the state of California, and has complied with all laws and obtained all permits and licenses applicable to Contractors marketing and promotional activities contemplated hereunder;
- The Contractor does not have, nor does GSFA grant to the Contractor a trademark license in the GSFA trademark;
- The Contractor will not misrepresent Contractor's relationship with GSFA, nor present false or misleading information about the Program;
- The materials are provided as-is without any warranty of any kind; and
- 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 7 Contacting GSFA

GSFA staff is available to discuss any questions or problems that a Contractor may have while participating in the Program. Please contact GSFA staff through normal business hours by calling toll-free (855) 740-8422, or by email at info@gsfahome.org.

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