Inclusiv CCIA Framework

Credit Union Green Lending Grants Available Through Inclusiv's $1.87 Billion Program

Table of Contents

39 Broadway Suite 2140, New York, NY 10006 | T. 212 809 1850
inclusiv.org | info@inclusiv.org

About Inclusiv's Green Lending Grant Program

Inclusiv has received a $1.87 billion federal award to provide grants to credit unions to offer green lending programs that serve low-income and disadvantaged communities (LIDACs). The Environmental Protection Agency (EPA) awarded these funds to Inclusiv through the Greenhouse Gas Reduction Fund (GGRF) Clean Communities Investment Accelerator (CCIA).

Important Dates

- **Our pre-qualification form will open on November 19, 2024.** It will be available to fill out and submit on a rolling basis. (The pre-qualification form is not the full grant application.)
- **The full grant application will open in early 2025.** Inclusiv will accept credit union applications on a rolling basis for the first three to four years of the program.

As part of Inclusiv's CCIA program, 300-400 credit unions will receive grants from Inclusiv over the next three to four years to help grow affordable green lending programs. CUs will be able to apply to Inclusiv for CCIA grants ranging from $275,000 to $11 million to cover operating and capitalization costs for their green lending programs, as long as 100% of these funds reach LIDACs.

Since 2020, our free University of New Hampshire-Inclusiv Solar and Green Lending program has trained almost 200 credit unions (CUs) across the country in how to build green lending programs. CUs that have graduated from this program have applied their consumer and small business lending expertise, and responded to local demand, to offer affordable green lending programs in their communities. And now we are expanding this program to support the needs of CUs interested in applying for CCIA grants.

Green Lending is a Great Opportunity for Credit Unions

Green lending helps credit union members

- Inclusiv's CCIA grants will enable credit unions, many of which already excel at serving low-income and historically redlined communities that are disproportionately burdened by energy costs, to provide their members with affordable green loans for a wide range of energy projects.
- Credit union green loans can help members lower energy bills and protect against rising energy costs, improve occupant comfort and reduce air pollution in buildings, and increase energy and climate resiliency in communities to add extra protection against increasing extreme weather events.

Green lending helps credit unions

- Credit unions find that green loans are high performing and they help credit unions diversify their lending portfolio and membership base, bringing in younger members and small business members. Typically, 80-90% of green loan borrowers are new to the credit union.

- As demand increases for green loans, many communities lack trusted financing partners. As a result, predatory lenders may see an opportunity to offer their products to these underserved communities. Credit unions are well-positioned to meet their communities' needs with safe, affordable, accessible green lending programs.

Credit unions are ready for this opportunity

- Credit unions have a long history of serving as financial first responders. There is an urgent need to develop safe and affordable green lending products that can build community resiliency and mitigate damage caused by extreme weather events.
- Credit unions already lead in loan products that could be adapted for green lending (consumer loans, home improvement loans, auto loans).

Inclusiv's CCIA Program Details

All credit unions are eligible to apply

- All credit unions across the United States that serve LIDACs are eligible to apply for Inclusiv's CCIA green lending grants.
- This includes but is not limited to credit unions based in U.S. territories (such as *Cooperativas* in Puerto Rico), Community Development Financial Institutions (CDFIs), Minority Depository Institutions (MDIs), and low-income designated credit unions (LIDs).
- <u>However, CDFI, MDI, or LID designation is NOT required. And credit unions do NOT have to be Inclusiv members to apply.</u>

CCIA grant funds cover operating and capitalization costs

If selected, CUs will support new or existing green lending programs with two types of grant funds:

1. CU Operating Grants can be used to cover staff salaries, software, marketing, and other expenses; and
2. Green Lending Capitalization Grants can be used to lower the costs of green loans made to LIDACs for eligible projects. For example, a CU could use grant funds for below market interest loans, loan loss reserve funds, loan guarantees, partially forgivable loans, interest-rate buy-downs, lines of credit, and/or subordinated debt.

<u>100% of any CCIA grant funds received must be used to support work in low-income and disadvantaged communities (LIDACs).</u>

Credit unions can offer familiar loan products using CCIA grant funds

- Credit unions <u>already</u> offer loan products that could be adapted to fund CCIA-eligible projects.
- These include unsecured consumer loans, secured vehicle loans, chattel-secured "UCC-1s", home equity lines of credit or loans, home improvement loans, and appliance loans.

- With Inclusiv's CCIA grants, credit unions can offer the types of loan products that they know best as long as they are used for CCIA-eligible projects.
- For example, if a CU is experienced in unsecured consumer lending, then we encourage that CU to offer unsecured consumer loans for green projects, such as energy efficient appliances or solar panel installation.

There are a wide range of CCIA-eligible projects

- CCIA-eligible projects will help low-income and disadvantaged community (LIDAC) consumers, homeowners, and small businesses to reduce energy bills, air pollution, and greenhouse gas emissions.
- Eligible project types can include, but are not limited to:
  - efficient heating and cooling systems,
  - efficient appliances,
  - electric vehicles,
  - electric vehicle charging stations, and
  - solar systems.

Inclusiv will support credit unions through the application process

- Inclusiv will be here to support credit unions every step of the way. We have designed our CCIA application so that CUs will not need to rely on external consultants.
- **Inclusiv will provide application assistance to grant applicants at no cost to credit unions,** including access to Inclusiv staff and green lending experts, enrollment in solar and green lending trainings, and technology and software platforms that support program compliance and reporting objectives.

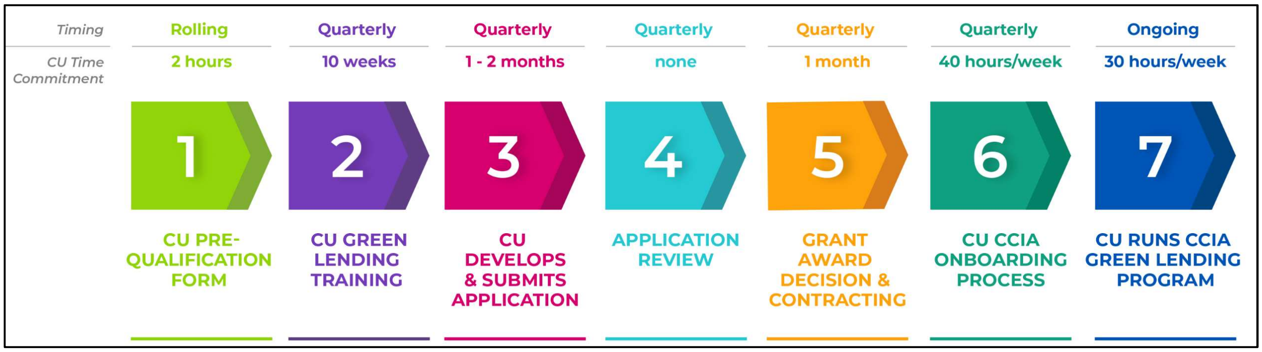
CUs Can Start Preparing

- **Sign up to receive updates and send us your questions: https://bit.ly/CCIA-inclusiv** We'll email you when our CCIA pre-qualification form launches on November 19. (Please note, the pre-qualification form is not the full application, the full application will launch in early 2025.)
- **Apply* here: https://bit.ly/UNHInclusiv for our free University of New Hampshire-Inclusiv virtual Solar and Green Lending Professional Training courses.**

**If you already applied for our UNH-Inclusiv trainings and haven't heard back, don't worry. We are in the process of increasing the number of classes we will offer in 2025. We have a waiting list with all those who have applied to our training courses and have not yet been placed in a course and will reach out when our class schedule is finalized.*

Inclusiv's CCIA Grant Application and Awarding Process

Inclusiv's CCIA grant application and awarding process has seven steps. The estimated time from beginning to end is anticipated to be between five and seven months. The graphic below includes an estimate of the CU time commitment for each step.



Step 1: CU Pre-Qualification Form

Interested credit unions will fill out a short pre-qualification form, which will assess the credit union based on factors such as asset size, lending expertise in Low-Income and Disadvantaged Communities (LIDACs), readiness to deploy capital for green loans, ability to leverage grant funds with deposits or other private capital, and alignment with overall CCIA program requirements.

This pre-qualification form will open on November 19, 2024, and will be available to fill out and submit on a rolling basis. *It will take a CU about two hours to complete this form.* However, Inclusiv may request additional information from CUs during this step, which may increase the CU time commitment. Pre-qualification decisions will be provided on a rolling basis and credit unions that pre-qualify will be invited to move to Step 2.

Step 2: CU Green Lending Training

Pre-qualified CUs will be invited to the UNH-Inclusiv Solar and Green Lending Training and Technical Assistance program. There they will complete a green lending readiness assessment and design their green loan product with the guidance of a CU green lending expert instructor.

All credit unions that pre-qualify for Inclusiv's CCIA program (details below) and have not yet taken one of our training courses, will be invited to the UNH-Inclusiv Solar and Green Lending Training and Technical Assistance program. Through this training program, credit unions will complete a green lending readiness assessment and design their green loan product, under the guidance of an instructor with expertise in CU green lending. As part of this program, to help prepare for the application, credit unions will identify their members' green lending needs, design a product that serves their market and works for their credit union, and have trained staff member(s) who understand how to market and underwrite these loan products.

Training courses will be offered four times a year and *will require a 10-week commitment from at least one current staff member or another member of the credit union team*. (In most cases, if a current staff member or another member of the credit union team has already taken one of our instructor-led UNH-Inclusiv Solar and Green Lending Training courses, the CU may skip this stage of the application process and move to Step 3.)

Step 3: CU Develops & Submits Application

Once a CU completes a training course, they will be invited to complete the full CCIA application. Inclusiv will support CUs every step of the way in developing their grant applications.

CCIA is a federal grant which comes with specific reporting and compliance requirements that may impact the use of funds. As part of your application process, Inclusiv will work with each credit union lender to develop a green loan product that is compliant with CCIA. This will include CU compliance and reporting staff training, access to online tools / software, and ongoing technical assistance throughout the course of grant program.

CUs should expect to spend 1-2 months developing their application. There will be four cohorts of applicants reviewed each year. Deadlines for the 2025 application cycles will be announced in the coming months.

Step 4: Application Review

An independent review committee will review all grant applications quarterly. *Applicants can expect to hear back approximately 4-8 weeks after each application deadline.*

Step 5: Grant Award Decision & Contracting

CUs that are selected for grants will work closely with Inclusiv legal staff on the contracting process and fund disbursement schedule. Average grant amounts are expected to be $3.5 million per credit union, and the grant amount each individual credit union receives will be based on factors such as expertise in lending to LIDACs, asset size, lending capacity, and the size of the green lending program the credit union would like to build. *This step is expected to take one month to complete.*

Step 6: CU CCIA Onboarding Process

After signing a contract, each CU will be placed into a cohort of CU grantees for an Inclusiv-led onboarding. The onboarding will provide detailed information and operational support on how to implement the CCIA program. This will include CCIA reporting and compliance training.

- Credit unions that participate in Inclusiv's CCIA program will have to meet compliance and reporting requirements, including the deployment of loans for eligible purposes in LIDACs. Inclusiv will provide participating credit unions with step-by-step guidance and a clear process for these compliance and reporting requirements.

- Inclusiv already has a technology platform – FIDAP (Financial Inclusion Data Analytics Platform) that will help CUs manage, track, and report on LIDAC green lending. FIDAP currently supports CDFI reporting for 200 credit unions and will have additional functionality added to meet the EPA's federal grant program requirements for CCIA.

CUs should expect to devote a full-time staff person to this onboarding process for four weeks.

Step 7: CU Runs CCIA Green Lending Program

Over the life of their grant, Inclusiv staff will provide ongoing, one-on-one support to each CU as they launch and operate their CCIA green lending program.

About Inclusiv

Inclusiv is a certified CDFI intermediary that transforms local progress into lasting national change. We provide capital, make connections, build capacity, develop innovative products and services and advocate for our member community development credit unions (CDCUs). Inclusiv has over 500 member CDCUs that serve nearly 22 million residents of low-income urban, rural and reservation-based communities across the US and hold over $316 billion in community-controlled assets. Founded in 1974, Inclusiv is headquartered in New York, NY, with offices in Madison, WI, Atlanta, GA, and San Juan, PR.

About Inclusiv's Center for Resiliency and Clean Energy

Inclusiv launched its Center for Resiliency and Clean Energy in 2019, working to make clean energy affordable and accessible for all people and communities. In 2020, Inclusiv teamed up with the University of New Hampshire's Carsey School of Public Policy, with support from the U.S. Department of Energy, to design the nation's first solar and green lending training and technical assistance program for credit unions and other community-based lenders. To date, Inclusiv and UNH have trained close to 400 community-based lending institutions in how to build and grow affordable and accessible green loan programs. In 2024, the Environmental Protection Agency (EPA) awarded Inclusiv a $1.87 billion grant from the Greenhouse Gas Reduction Fund's (GGRF's) Clean Communities Investment Accelerator (CCIA) program to support credit union green lending programs.

Appendix A: CCIA Program Detailed Technical Requirements

What are the requirements for CCIA-eligible projects?
A project, activity, or technology eligible for CCIA grant support must meet ALL OF the following requirements:

- 100% of funds must go to Low-Income and Disadvantaged Communities (LIDACs)
- Must be in one of these categories:
  - Distributed Energy Generation and Storage (such as solar systems and solar plus battery storage systems)
  - Net-Zero Emissions Buildings (such as efficient heating and cooling system or appliance upgrades)
  - Zero-Emissions Transportation (such as electric vehicles and electric vehicle charging stations)
- Must meet all of these six additional requirements:
  - Reduces or avoids greenhouse gas emissions
  - Reduces or avoids emissions of other air pollutants
  - Delivers additional benefits within one or more of the following seven categories:
    - Climate change
    - Clean energy and energy efficiency
    - Clean transportation
    - Affordable and sustainable housing
    - Training and workforce development
    - Remediation and reduction of legacy pollution
    - Development of critical clean water infrastructure
  - Would not otherwise have been financed
  - Will mobilize private capital
  - Will support only existing commercial technologies that have been deployed for commercial purposes at least three times or a period of at least five years in the United States for the same general purpose as the project, activity, or technology.

What are some examples of CCIA-eligible green project categories?

- Home Energy Improvements
- Efficient Appliance Purchases
- Efficient Heating and Cooling Systems
- Solar (+ Battery Storage) Systems
- Electric Vehicles (EVs)
- Many more

How can green lending capitalization grant funds be used to lower the cost of loans for CCIA-eligible projects?
90% of CCIA grant dollars that a CU receives must be used for capitalization funding. They can use these capitalization funds in many ways, including, but not limited to:

- Credit enhancements
  - loan guarantees
  - loan guarantee funds (whether full or partial)
  - loan loss reserves
  - other credit enhancement instruments
- Debt
  - Loans (secured or unsecured)*
    - unsecured consumer loans
    - secured vehicle loans
    - chattel-secured "UCC-1"
    - home equity line of credit or loan

        - home improvement loans
        - appliance loans
    - Forgivable / partially forgivable loans
    - Zero-interest and below-market interest loans
    - Loans paired with interest rate buydowns
    - Lines of credit
    - Subordinated debt
    - Warehouse lending
    - Loan purchasing programs
    - Other debt instruments
- Equity investments
    - equity project finance investments
    - private equity investments
    - other equity instruments
- Hybrids
    - mezzanine debt
    - preferred equity
    - other hybrid instruments

**Note: While subsidized loans and partially forgivable (and even forgivable) loans are allowed, CCIA grant dollars cannot be used to provide grants directly to borrowers.*

What types of operating costs will CCIA grant dollars support?
10% of CCIA grant dollars that a CU receives can be used for operating costs that support capacity building for green loan program operations. EPA calls these grants "Technical Assistance Subawards" and they are only available for lenders selected for capitalization funding grants.

- Hiring staff
- Developing new financial products
- Supporting predevelopment activities
- Site and building assessments (e.g., energy audits)
- Financial/ technological feasibility studies
- Other activities
- **Procuring:**
    - Training
    - Market Analysis
    - Technical Support
    - Software
    - Other

What are some additional limitations on the use of CCIA funds?

- CCIA grant dollars typically cannot be used to support emergency or disaster relief loans that do not meet all of the above requirements for CCIA-eligible projects. For example, grant funds cannot be used to help people grocery shop or afford a few nights in a hotel.
- Credit unions cannot use these grants to update their own headquarters or branches, the funds must be used to build or operate their green lending programs and to provide loans to their members.
- In most situations, CCIA grants must fund loans for new projects, credit unions cannot use CCIA grant dollars to purchase participations in green or solar loans for projects that were already able to obtain financing without CCIA grant dollars.

Appendix B: How to Identify Low-Income and Disadvantaged Communities (LIDACs)

As we mentioned above, 100% of CCIA grant funding awarded to a credit union must go to Low-Income and Disadvantaged Communities (LIDACs). Inclusiv already has a technology platform – FIDAP (Financial Inclusion Data Analytics Platform) that will help CUs manage, track, and report on LIDAC green lending. FIDAP currently supports CDFI reporting for 200 credit unions and will have additional functionality added to meet the EPA's federal grant program requirements for CCIA. The federal government has outlined four ways to identify Low-Income and Disadvantaged Communities (LIDACs):

1. **CEJST-Identified Disadvantaged Communities:** Census tracts identified as "disadvantaged" through version 1.0 of the Climate & Economic Justice Screening Tool (CEJST), released 11.22.22, which includes census tracts that meet the thresholds for at least one of the tool's categories of burden and land within the boundaries of Federally Recognized Tribes. See CEJST "disadvantaged" census tracts here: https://screeningtool.geoplatform.gov/en/

2. **EJ Screen-Identified Disadvantaged Communities:** All version 2.2 of EJ Screen communities within either:
   a. limited supplemental set of census block groups that are at or above the 90th percentile for any of EJ Screen's supplemental indexes when compared to the nation or state; OR
   b. geographic areas within Tribal lands as included in EJ Screen, which includes the following Tribal lands: Alaska Native Allotments, Alaska Native Villages, American Indian Reservations, American Indian Off-reservation Trust Lands, and Oklahoma Tribal Statistical Areas.

3. **Geographically Dispersed Low-Income Households:** Low-income individuals and households living in Metropolitan Areas with incomes not more than 80% AMI or 200% Federal Poverty Level (FPL) (whichever is higher), and low-income individuals and households living in Non-Metropolitan Areas with incomes not more than 80% AMI, 200% FPL, or 80% Statewide Non-Metropolitan Area AMI (whichever is highest).
   - FPL uses latest publicly available figures from the U.S. Department of Health and Human Services.
   - Area Median Income (AMI) is defined using the latest publicly available figures from the U.S. Department of Housing and Urban Development (HUD).
   - Metropolitan Area and Non-Metropolitan Area are defined using the latest publicly available figures for county-level designations from the Office of Management and Budget.
   - Statewide Non-Metropolitan Area AMI is defined using the latest publicly available figures from the U.S. Department of the Treasury's CDFI Fund, with an adjustment for household size using HUD's Family Size Adjustment factor.

4. **Properties Providing Affordable Housing:** Fall within either of the following two categories:
   1. multifamily housing with rents not exceeding 30% of 80% AMI for at least half of residential units and with an active affordability covenant from one of the following federal or state housing assistance programs: (1) Low-Income Housing Tax Credit; (2) a housing assistance program administered by HUD, including Public Housing, Section 8 Project-Based Rental Assistance, Section 202 Housing for the Elderly, Section 811 Housing for Disabled, Housing Trust Fund, Home Investment Partnership Program Affordable Rental and Homeowner Units, Permanent Supportive Housing, and other programs focused on ending homelessness that are funded under HUD's Continuum of Care Program; (3) a housing assistance program administered by USDA under Title V of the Housing Act of 1949, including under Sections 514 and 515; or (4) a housing assistance program administered by a tribally designated housing entity, as defined in Section 4(22) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 USC § 4103(22)); OR
   2. naturally-occurring (unsubsidized) affordable housing with rents not exceeding 30% of 80% AMI for at least half of residential units.