1 Program Plan

1.1 Vision

In DeSoto, Georgia, aging brick houses run along the town's main street and manufactured homes cluster in orphaned areas. In this rural community in the impoverished Black Belt, carbon emissions were not a topic of daily conversation. The community's 107 households survive on a median income of $20,375, grapple with repeated house fires linked to propane gas usage, and strain to pay utility bills. But on September 19, 2023, Mayor Johnny Cutts, in partnership with Power Forward Communities (PFC), convened a town hall meeting to discuss the possibility of upgrading to brand-new, electric machines that could work wonders: cooler summers and warmer winters, healthier and safer homes, and lower energy bills.

More than half of DeSoto's residents crowded into City Hall to learn about PFC's program to decarbonize their town, drawn by a mix of skepticism and hope. Fifteen more sent word that they were interested, representing almost two-thirds of DeSoto's homes. Many had never heard of the Inflation Reduction Act (IRA) or its focus on consumers. Others had ignored public discussions because change sounded too expensive, too difficult, or simply impossible. Contractors didn't come to DeSoto, and outside investment had long forgotten the town's existence. These barriers and concerns reflect the basic impediments to housing decarbonization across the United States.

DeSoto goes by a thousand different names across America, but each town, Tribal community or city is linked by a string of repeating and compounding market failures. Yet, together, they hold enormous potential to reduce the 42% of energy-related U.S. greenhouse gas (GHG) emissions directly influenced by decisions we make about how we heat our air and water, cook our food, dry our clothes, fuel our cars, and get our power [*1*]. We cannot meet our climate goals without a deliberate focus on housing decarbonization.

Across 124 million American households, decarbonizing housing and transportation — and adding distributed energy — will require the installation or replacement of more than one billion machines [*2*]. Here, our climate goals dictate not just the scale of the challenge but also the speed: we must electrify our housing and transportation within the next 25 years, at a "pace of progress" far beyond our current trajectory. To kickstart this broad transition in line with net-zero emissions by 2050, we must induce 24 million more electric machine installations between now and 2026 — heat pumps, induction stoves, rooftop and community solar, electric vehicles (EVs), and more — beyond what the market is projected to do on its own [*3*].

<u>Identifying the Problem</u>

For a vast majority of housing owners in DeSoto and elsewhere, decarbonization is currently far too abstract, complicated, and expensive. The markets for heat pumps, distributed energy, and EVs and EV chargers are fragmented and inaccessible. Equipment and installation are often too expensive. Consumers with non-prime credit scores are rarely able to access home improvement financing at interest rates lower than 15%, if at all. While federal, state, and local governments increasingly offer incentives, the sheer number and complexity of options is dizzying. These and myriad other educational, technical, and financial barriers can prevent any single homeowner, building owner or housing developer, let alone an entire community, from taking action.

The stakes of maintaining the status quo are clear: every time a new fossil-fuel device is purchased, it locks in 15 or more years of air pollution and energy burdens, both of which are already disproportionately concentrated in low-income and disadvantaged communities

(LIDACs). The national average energy burden is 2.2%, compared to 5.7% for low-income households and 7.7% for low-income households in Tribal areas [*4*]. This will only get worse if LIDACs are excluded from the decarbonization transition. Around the country, consumers and building owners with the knowledge and means to act are beginning to decarbonize. If LIDACs do not transition at an equivalent or faster pace, their fuel costs will skyrocket as the legacy costs of gas infrastructure are borne by fewer customers.

Fossil fuels feed a vicious cycle of unaffordability and worsening health outcomes: housing owners are locked into old, inefficient appliances and increasingly expensive fossil fuels, leaving less and less money each month for equipment to be maintained or repaired, and often deferring replacement to well past equipment's usable lives. All the while, combustion-driven air pollution continues to harm LIDACs and raise healthcare costs.

The benefits of housing decarbonization are also clear: low-income households that electrify and add rooftop solar will save an average of $1,550 per year on their energy bills, and across all U.S. households the savings from electrifying and adding both solar and EVs is about $3,000 per year [*5*]. Decarbonization has the potential to reduce energy costs by 60% and generate 5% more annual disposable income. This economic opportunity is matched by the undisputed health benefits (particularly for children) of not burning fossil fuels in the home, as 12.7% of childhood asthma cases in the U.S. can be attributed to gas stove usage [*6*]. Sector-wide housing decarbonization will create 2.6 million local jobs that cannot be automated or off-shored, in addition to millions more indirect jobs created by the largest wealth transfer from energy producers to consumers in history [*7*]. The benefits will also extend to our energy infrastructure: in the majority of the United States, housing upgrades are powerful enablers of distributed energy generation and storage and zero-emissions transportation. Over the long term, the conversion to all-electric housing creates a market-wide opportunity for the deployment of "Virtual Power Plants" (VPPs) that improve grid resilience, efficiency, and capacity.

The IRA provided billions of dollars to ignite hundreds of billions more investment in our energy future. Yet the IRA's impact on building decarbonization has already lagged behind its impact on renewable energy production, manufacturing, and transportation. In the year since the IRA was signed, utility-scale solar/storage announcements and renewable manufacturing announcements at least doubled, and business and household investment in EVs increased by 46%. Meanwhile, investment in rooftop solar increased by 31% and in heat pumps just 1% [*8*]. Since the IRA is already succeeding in catalyzing the energy transition in other sectors, the most urgent and effective use of the National Clean Investment Fund (NCIF) is to decarbonize housing, especially in LIDACs. Unlike manufacturing and utility-scale policy changes, the housing market must be addressed from the perspective of thousands of communities and millions of people, and thus requires a deep and nuanced understanding of their challenges. Without thoughtful, community-centered solutions, financial incentives and products alone will not secure the energy future of DeSoto or thousands of other communities large and small.

Our Coalition

The Power Forward Communities (PFC) coalition is uniquely qualified to implement housing decarbonization solutions, and we approach this complex opportunity with the ambition it deserves and demands. PFC's core partners are **Rewiring America**, **Enterprise**, **Local Initiatives Support Corporation (LISC)**, **Habitat for Humanity** and **United Way Worldwide**. Rewiring America is a leading electrification nonprofit founded by experts with

years of experience in climate science and market transformation. Enterprise and LISC are the largest nonprofit lenders in multifamily housing and provide local organizations the capacity building and technical assistance they need to decarbonize affordable housing. Habitat for Humanity is one of the largest nonprofit builders of affordable single-family homes in the U.S. United Way is deeply embedded in communities across the country, building deep, multi-sector partnerships to advance health, housing, and economic mobility. And PFC's CEO is Tim Mayopoulos, former CEO of Fannie Mae, the largest player in single-family housing finance.

We bring proven reach, scale, and organizational experience across markets and supply chains, technical assistance, and lending. We have collectively deployed or invested over $100 billion in community-based housing, health, environmental, and economic development initiatives and created or preserved over 1.4 million affordable housing units. We have decades-long and deeply rooted experience working in and with urban, suburban, rural, and Tribal communities in every state and territory in the United States, with a network of more than two thousand local affiliates and chapters. We bring a highly complementary set of capabilities, relationships, and experience that are market-transforming in their potential impact, as evidenced by the **156 communities** and **321 organizations** supporting our application. More detail on PFC coalition member core competencies and how they support our NCIF program strategy is included in section 2.1.3.

We also understand how information travels, how to identify and support trusted actors, and how to overcome understandable cynicism. In LIDACs across the country, too often so-called solutions to seemingly intractable problems have proven either too good to be true or more dangerous than the status quo. So, in DeSoto, we began months ago with outreach to local officials and trusted community members to educate them on the goals of decarbonization.

Our team drove three hours from Atlanta to sit in the mayor's home and prepare. We coordinated with a local former school teacher to gather information on each home and to understand the area. At the town hall, parents asked about the effect on utility bills. Veterans queried about job opportunities and waiting for a tax credit. We were ready. Because we had done the work, we could explain how the new machines would lower utility bills and train local residents for job opportunities. Our knowledge comes not only from our efforts in DeSoto, but also from our other single-family decarbonization projects in Milwaukee and Tulsa and multifamily decarbonization projects in New York City, Chicago, Los Angeles, and more. The response was overwhelming, and sign-ups continue to pour into our local partners.

By the time the NCIF starts, half of DeSoto's homes will be on their way to a safer, more efficient, and decarbonized future because of philanthropic commitments and donated machines. That's a good start, but it is not a sustainable strategy to decarbonize every LIDAC, let alone the rest of the country. But because of the deep work already done in the community, within a year of receiving NCIF investment, PFC will be able to decarbonize the whole town. Our mission is to create hundreds of DeSotos, and ultimately decarbonize housing across the nation.

Our Solution

Approaches that solely rely on existing market structures to decarbonize housing are not sufficiently equitable, sustainable, or financially effective. PFC's program, in contrast, will meet all of these objectives by delivering focused, scaled, and LIDAC-first market transformation. We are **applying for $9.5 billion in NCIF funds to decarbonize housing across the United States,** and intend to deploy a minimum of 75% as financial assistance to LIDACs, rural, and Tribal

communities. We will implement our program through local communities and a national strategy.

Local implementation: Led by community-based organizations (CBOs) through our coalition:

First, we will **engage with and support communities** to define their priorities and shape program implementation to align with each community's existing infrastructure and program efforts, unique needs and priorities, and workforce capacity. Our engagement is informed by the resources and time we have already devoted to developing and testing our model, through, for example, Rewiring America's demonstration projects and Enterprise's Green Communities.

Second, we will **put all building owners in position to act** by deploying sustained community awareness campaigns and by expanding access to individualized, actionable information and planning tools, simplified choices, and trustworthy and reliable support services.

Third, we will **build local capacity** by providing market-building tools and resources, including a vetted "contractor marketplace" backed by robust workforce development, training, and labor standards. We will also invest in the capacity of community lenders to execute financing at scale, and we will share sophisticated analytical models with community leaders to identify the highest-impact neighborhoods, building profiles, equipment packages, and financial products.

National strategy: Led by our coalition, we will efficiently deliver NCIF funds to LIDACs:

First, we will **reduce the cost of participation** by aligning government subsidies, organizing the market for zero-emissions technologies, aggregating demand to negotiate equipment and installation discounts, and creating a funnel for corporate and philanthropic investment. We expect that these initiatives can cut the remaining cost of decarbonization by more than half.

Second, we will deploy national tools to **streamline project delivery and reduce friction**, including educational content, a localized calculator for all available decarbonization incentives, and sophisticated project planning tools. These resources will be designed for all market segments and will also serve as project acquisition mechanisms, increasing awareness of decarbonization, moving consumers from intention to action, and lowering soft costs. They will be amplified to 47 million homes through the collective reach of our national partners.

Third, we will **deliver customized and affordable capital solutions** for the remaining costs. By leveraging our innovative tools and all available forms of financial assistance (FA), our solutions will be right-sized to finance only what is needed to make each individual project feasible, which will in turn maximize the impact of NCIF funding. We will work with national and local lenders to deploy FA to LIDACs by buying down interest rates and providing credit enhancement, and we will ensure that our financing does not increase costs for any household whose home or building we decarbonize.

The following diagram illustrates PFC's program strategy as described in the narrative:

POWER FORWARD COMMUNITIES STRATEGY

PROGRAM ACTIVITIES	MULTI-FAMILY LIDAC (MF)	SINGLE-FAMILY LIDAC (SF)	SINGLE- AND MULTI-FAMILY MARKET RATE
Community engagement	Community pledges / pipeline commitments		
	Consumer awareness & education / trusted messengers		
	Grants to local partners & community-based outreach		
Market development cost reductions (a)	Community Electrification Planner		
	Equipment discounts / demand aggregation savings		
	Contractor marketplace / Workforce development		
	Household Electrification Planner & Incentive API		
	Cube model & Impact Rating Tool		
	Technical assistance	Navigators	
Finance & capital cost reductions	Federal incentives (b); State/local incentives (c)		
	Demand response ("Virtual Power Plants") (d)		
	$1B Philanthropic and corporate fund (e)		
	NCIF financial products (f)		

HOW IT ALL COMES TOGETHER

Starting project costs	PFC Solution	Benefits
Zero emissions home + distributed energy generation	(a)	
	(b)	
	(c)	
	(d,e)	Other benefits
	NCIF-financed remaining costs (f)	Bill savings

Adjusted per unit costs	SF	MF
Initial cost	$45,500	$70,000
Market development (a)	-$8,500	-$14,000
Federal incentives (b)	-$9,300	-$17,100
State/local incentives (c)	-$2,700	-$5,000
VPPs/$1B fund (d,e)	-$5,700	-$3,300
NCIF-financed remaining costs (f)	**$19,300**	**$30,600**

Per unit benefits (NPV)	SF	MF
Bill savings	$27,500	$12,200
Health benefits	$1,600	$500
Property value	$6,700	$11,200
Avoided costs	$9,300	$14,000
Net benefits unlocked	**$25,800**	**$7,300**

COST SAVINGS ENABLE MARKET TRANSFORMATION

Our approach will achieve widespread decarbonization in the residential buildings sector, accelerating us toward the pace necessary to meet our climate goals (per the U.S. Nationally Determined Contribution). This progress will be aligned with the priorities set forth in Executive Orders 14008, 14082, and 14096, including community engagement, environmental and climate justice, climate resilience, inclusive and high-road job creation, and effective coordination. We will also coordinate with other Greenhouse Gas Reduction Fund (GGRF) grantees across all three competitions to align financing and portfolio allocations, mobilize capital, and maximize transaction opportunities.

All in, our program's market-wide GHG reductions cost $53 per ton, and the resultant energy bill savings and health benefits from co-pollutant emissions reductions will **deliver more than six dollars in net benefits for every dollar of NCIF funds.** Through direct financial assistance, we will also **create or preserve almost 120,000 affordable rental units** and **create nearly 460,000 jobs**. Additional top-line program impacts include:

Projected Impacts of PFC NCIF Investment	Direct Financial Assistance	Market Transformation
Households reached (*7yr NCIF*)	376,896	2,600,000
GHG emissions reduced, CO_2e (*15yr equipment life*)	20,118,759 MT	161,000,000 MT
Air pollution reduced (*15yr equipment life*)	19,156 MT	121,000 MT
Energy bill savings (*15yr equipment life*)	$9.4 billion	$53.7 billion
Value of avoided health impacts (*15yr equipment life*)	$0.8 billion	$4.6 billion
Social benefit of GHG emissions reductions (*at $190/ton*)	$3.8 billion	$30.5 billion
Private capital mobilized (*7yr)*	$25.7 billion	–
Additional capital mobilized *(7yr)*	–	$85.6 billion

Catalyzing progress: Our national strategy and local implementation approach will catalyze housing decarbonization well beyond our target market segments and the limits of NCIF program funding. **232 community and pipeline partners have already pledged to decarbonize more than 1.25 million housing units across the country, representing an overwhelming interest in our vision.** Even as that interest exceeds our direct FA capacity, our program will create new points of entry and new models for financing housing decarbonization projects everywhere. It will scale markets for electric technologies, encourage innovation, and drive competition throughout the supply chain, further reducing prices and improving the consumer experience. It will also reduce friction across the market, tipping tens of thousands of daily housing- and transportation-related purchase decisions toward zero-emissions electric technologies. Success will cascade across the country, accelerating investment in the equitable transition away from fossil fuels toward cleaner, healthier, more vibrant communities, and bringing our national climate goals within reach. This is what the NCIF was built to achieve.

1.2 Investment Strategy

PFC's Investment Strategy mirrors our program strategy: It begins with broad engagement at the community level and ends with deep engagement at the household and building owner level. Our investment strategy is guided by our formal allocation principles (see Exhibit B). It directs NCIF dollars according to need, impact, and leverage and will achieve greater market transformation than competing strategies focused on financing alone.

1.2.1 Community Engagement and Accountability Strategy

PFC's Community Engagement and Accountability Strategy is actionable — leveraging our rich partnerships and long history of delivering benefits to LIDACs, and ambitious — aiming to generate the national scale and momentum needed to maximize the impact of NCIF investments. PFC has pledged to abide by the principles in *GGRF: Best Practices for Equity and Governance* [*9*] (co-authored by Rewiring America) to help guide our program toward equitable outcomes.

1.2.1.1 Community Engagement Plan

PFC's Community Engagement Plan incorporates our coalition's past, present, and future engagement with geographically diverse communities, Tribal communities, and LIDACs. Our plan is built on the principles of self-determination, transparency, accessibility, and accountability. PFC's vision has already been endorsed by **156 communities from 46 states** across every EPA region (see map in section 1.2.3.3) with pledged commitments to decarbonize more than **716,000 housing units**, including more than **330,000 (46%) in LIDACs**, **30,900 in rural communities**, and **12,000 in Tribal communities** to date.

Past and present engagement: PFC coalition members have more than 260 years of collective experience engaging communities and delivering on-the-ground, needs-responsive investments and benefits. These engagements span a variety of communities. The PFC coalition has scaled work in LIDACs and across rural and Tribal communities through programs such as (1) Enterprise's Tribal Nations and Rural Communities program; (2) Habitat's rural homebuilding initiatives; (3) the Rural LISC program; and (4) United Way's affiliates in rural and Tribal communities (including remote areas of Alaska and areas along the U.S.-Mexico border). Every day, our coalition members and their local program and lending teams work alongside the community leaders critical to the successful execution of our strategy. From local government officials to housing developers, labor leaders, local financial institutions, CBOs, and contractors, our coalition has a wide spectrum of long-standing relationships that can be aligned toward the goals of our program. Additional examples of our coalition's community engagement experience are detailed in section 2.1.3.

Our vision is rooted in careful listening. For example, we surveyed more than 500 homeowners and renters in LIDACs to map user journeys, better understand lived experiences, and receive feedback on program design components. Over the past year, Rewiring America has also partnered with six communities (DeSoto, GA, East Point, GA, Milwaukee, WI, Tulsa, OK, Gresham, OR, and Pittsburgh, PA) to develop and implement residential decarbonization pilot projects that include many elements of our NCIF program strategy. Similarly, Enterprise has worked closely with affordable housing developers and tenants to develop its Green Communities initiative, the standard for green building in the affordable housing sector.

To hone our proposal, we engaged hundreds of technical experts and prospective program stakeholders. We surveyed 300 multifamily and community facility developers to gain insight into their appetite and readiness for NCIF funding. We engaged more than 200 local government leaders across rural, Tribal, and LIDACs to understand their housing-related needs and priorities. We interviewed 18 contractors, many of whom service LIDACs, to understand their motivations and limitations. And we consulted over a dozen national unions and labor advocates to co-create a labor and workforce development strategy.

Future engagement: Success will require deep, sustained engagement. PFC will develop new and strengthen existing partnerships with community- and faith-based organizations in the communities we serve. To honor the time of these partners, we will compensate these organizations directly and/or through capacity-building grants.

We will run regional focus groups with: (1) local government signatories; (2) residents from target communities (rural, Tribal, and LIDACs); (3) the local leadership of Enterprise, Habitat, LISC, and United Way affiliates; (4) partner CBOs; (5) the advisory boards of all coalition members; (6) contractors across the buildings trades; (7) community lending institutions, including community development financial institutions (CDFIs), credit unions, and green banks; (8) environmental justice, climate, and housing advocates; and (9) leaders of decarbonization-friendly electric utilities. We will also implement an online platform to provide additional engagement opportunities for the groups listed above.

At the community level, we will hold regular public events to solicit constituent feedback, increase awareness, and build trust. These events will be led by trusted messengers (including local leaders, CBOs, and clergy) and integrated into existing community gatherings (at community centers, affiliate meetings, etc.) and workplaces (via United Way's 45,000 corporate partners). At these events, we will focus on educating consumers about program offerings, take in feedback, and emphasize consumer protections as further detailed in section 2.3.1. In rural and Tribal communities, we will seek to align meetings with existing community gatherings to maximize participation, and we will host multiple small-group events as needed to reduce travel distances. In-person events will prioritize accessibility via public transportation (along with transit vouchers for those in need), childcare, and timing (to accommodate a variety of schedules). All events and content will include simultaneous translation, American Sign Language, and other accessibility mechanisms.

1.2.1.2 Community Accountability Plan

PFC's Community Accountability Plan will be used to engage communities, solicit feedback, and refine our program over the course of the period of performance. Our plan includes:

Transparency: PFC is committed to transparency. We will publish annual budgets and reports measuring deployment benchmarks, outputs, and outcomes against EPA and NCIF grant terms, agreed-upon metrics set by advisory committees, and community commitments. Our reporting will be disaggregated across the relevant demographics of community lenders and program beneficiaries. More details on our program reporting plan are included in section 1.3.1.

Participatory governance: PFC will convene three advisory committees on a regular basis to elevate community voices, promote accountability, and support outreach to stakeholders. Our program's National Advisory Group, Quad Legislative Advisory Group, and Participating Communities Council will act as a bridge to communities, ensuring meaningful community input and visibility into PFC and PFC Board decisions and actions. More details on these advisory committees are included in section 2.2.1.

Community accountability: Where feasible, PFC will pursue Community Benefits Agreements (CBAs) to inform engagements and ensure maximum benefits are accrued in participating communities. These will (1) inform procedures for recommending, reviewing, and approving proposed actions; (2) establish geographic boundaries to appropriately describe the targeted

municipalities or neighborhoods; (3) adopt conflict management protocols that outline how our coalition will resolve potential disagreements between partners, stakeholders, and/or affected communities; and (4) establish commitments for non-extractive approaches to workforce development and provision of financial services, including but not limited to guaranteeing family-sustaining living wages (and, where applicable, prevailing wages) and enforcing strong financial consumer protections. We will also conduct listening sessions in each participating community or region at least quarterly to solicit feedback and iterate upon our NCIF program design. Where full CBAs are not utilized, PFC will adopt the appropriate measures described herein to ensure accountability.

1.2.2 Investment Objectives

PFC's Investment Objectives deliver significant benefits to single-family and multifamily building owners and residents through: (1) rapid conversion of household fossil fuel appliances and equipment to all-electric alternatives; (2) deployment of rooftop solar, community solar subscriptions, and energy storage resources; (3) installation of EV charging infrastructure; and (4) weatherization and climate resilience measures. We aim to invest at least 75% of FA funds in LIDACs — nearly double the NCIF target. These investments will deliver environmental, economic, health, and resilience benefits to LIDACs around the country. They will also transform the housing sector, crowding in capital and reducing long-term costs.

1.2.2.1 Climate and Air Pollution Benefits

Without recycling of funds, we estimate that our program will finance and deploy projects in more than 290,000 single-family homes and more than 86,000 multifamily units over the seven-year period of performance, and will deliver benefits to an additional 100,000 units through the installation of EV chargers and rooftop solar in multifamily buildings. Using Rewiring America's decarbonization cost-benefit and decision-analysis model ("the Cube"), we estimate climate and air pollution benefits from these direct FA investments, as summarized in the table below. We also calculate the broader market transformation impacts of our program in section 1.2.2.3. More detail about our methodology is in Exhibit C.

Annual Climate & Air Pollution Impacts	**Single-family**	**Multifamily**	**Total**
GHG emissions reduced (*MT CO_2e*)	1,170,266	171,024	**1,341,290**
PM2.5 emissions reduced (*MT*)	42	8	**50**
SO_2 emissions reduced (*MT*)	210	55	**265**
NO_x emissions reduced (*MT*)	723	98	**821**
VOC emissions reduced (*MT*)	36	5	**41**
NH_3 emissions reduced (*MT*)	87	13	**100**

Many of our projects will incorporate both net-zero emissions buildings and distributed energy generation and storage, such as projects that include both whole-home electrification and the installation of rooftop solar. Per EPA guidance, we group these projects together and categorize these program activities under "Net-zero emissions buildings & distributed energy generation and storage." We also offer financing for single-family and multifamily EV charger installations, which will enable significant GHG emissions reductions by supporting the deployment of EVs. We exclude these reductions in the table above to avoid double-counting. However, the impact is worth noting: our multifamily charging station loan product will finance almost 28,000 EV

chargers — which represents 5% of the multifamily charging deployment needed to meet 2030 zero-emissions transportation goals [*10*] — and our whole-home retrofit and new construction products will finance tens of thousands more.

1.2.2.2 Equity and Community Benefits

Our program will deliver a wide array of co-benefits alongside GHG emissions and air pollution reductions, including: community and household economic benefits, housing affordability, improved health and safety, climate resilience, and quality jobs and wealth building. Given our portfolio allocation, the majority of these benefits will be realized in LIDACs, and a significant percentage will be realized in rural and Tribal communities.

Community and household economic benefits

The economic benefits from housing decarbonization accrue to individual building owners and occupants (via energy bill savings from improving building and equipment efficiency and reducing the cost of energy generation), and to communities in terms of reduced healthcare costs from lower air pollution and in terms of new local jobs and businesses.

Equity & Community Impacts	Single-family	Multifamily	Total
Energy bill savings (*thousands/yr*)	$530,451	$98,599	**$629,050**
Value of avoided health impacts (*thousands/yr*)	$46,071	$7,048	**$53,119**
Jobs created (*7yr NCIF*)	105,118	354,512	**459,630**

- *Reducing energy burdens:* The energy bill savings resulting from decarbonization translate directly into reduced energy burden for low-income households. The average low-income household has an annual income of $30,000 and spends nearly $2,600 on annual household energy bills. According to our analysis, low-income households that decarbonize (including rooftop solar) will save an average of $1,550 per year, decreasing energy bills by 60% and energy burden from 9% to 4%. These savings are impactful for families; 40% of U.S. households do not have enough money on hand to cover a $400 emergency expense [*11*].
- *Protecting consumers through quality installation:* Improper installation of building technologies can diminish energy and bill savings, and up to 85% of replacement HVAC systems are installed incorrectly [*12*]. Our program will ensure household economic benefits by improving contractor training and requiring quality installation standards, actions that can increase energy savings by up to 36% [*13*].
- *Reducing exposure to fossil infrastructure risk:* Buildings left on the gas system will face increasing costs as the cost of gas infrastructure is divided among fewer customers [*14*]. PFC will partner with utilities to identify neighborhoods or communities where households can be decarbonized in coordinated fashion, facilitating utility transition.
- *Increasing access to EV charging:* Single-family housing residents have much greater access to EV charging than multifamily housing residents, and access is lower in both housing types for low-income households [*15*, *16*]. Installing EV chargers in multifamily affordable housing and low-income single-family homes will enable more low-income households to use EVs, unlocking substantial financial savings.

Housing affordability benefits

While decarbonization generates enormous savings overall, those benefits vary (across building type, geography, etc.) and are not always passed along to renters. As a baseline, we will deploy FA so that our financing does not increase costs for any household whose home or building we decarbonize. But this is just the beginning of our commitment to housing affordability: through new construction and renovation, we will create new or extended affordability for all of the more than 118,000 rental housing units we finance. We will require permanent affordability in exchange for PFC's financing above a per-unit threshold for 25,446 existing affordable multifamily housing units and 40,957 new multifamily net-zero units. We will restrict rent to no more than 80% AMI for at least the term of our financing for an additional 8,979 units of unsubsidized small- to medium-sized multifamily properties, 11,492 other multifamily units that will benefit from limited retrofits, and 31,184 single-family rental units. We will use our Impact Rating Tool to underwrite these projects, which will prioritize long-term affordability beyond our minimum requirements and therefore ensure NCIF funding maximizes affordability, minimizes displacement and reduces gentrification.

Anticipated affordability levels for the more than 376,000 households that are projected to be directly financed by PFC are included in the table below.

AMI Level	Single-family Units	Share of SF	Multifamily Units	Share of MF	Total Units	Share of Total
0-30%	650	0%	13,031	15%	**13,681**	**4%**
31-50%	59,304	20%	21,718	25%	**81,023**	**21%**
51-80%	173,363	60%	43,437	50%	**216,800**	**58%**
> 80%	56,704	20%	8,687	10%	**65,392**	**17%**
Total	**290,022**	**100%**	**86,874**	**100%**	**376,896**	**100%**

Climate resilience benefits

- *Increasing resilience to climate hazards:* Our net-zero building retrofits and new construction will include resilience requirements that prepare communities for and protect them from local climate hazards. These requirements will be informed by Enterprise's Green Communities Criteria, which has been widely vetted and is used across the affordable housing sector.
- *Increasing access to cooling and resilience to heat waves:* With the growing risk of severe heat events, access to cooling has become essential [*17*]. Installing a heat pump adds cooling for households that do not already have air conditioning (AC), which is important for lower-income households who are less likely to have AC [*18*] and are disproportionately exposed to heat islands [*19*]. This is especially important in once-moderate climates like New England and the Pacific Northwest. Access to cooling can decrease mortality [*20*], safeguard mental health [*21*], and improve productivity [*22*] during heat waves.
- *Increasing resilience to grid outages:* Between 2013 and 2021 the frequency and duration of weather-driven power outages increased [*23*] and disproportionately affected LIDACs [*24*]. Distributed energy generation and storage and bi-directional EV chargers deliver backup power. High-performance new construction insulates occupants from extreme heat or cold in the event of an outage, reducing deaths and doubling the length of time people can safely

stay in their homes [*25*]. Electrification and distributed energy are also means to avoid blackouts entirely, as they enable VPPs to reduce peak loads and stabilize the grid [*26*].

Health and safety benefits

- *Reducing health risks from fossil fuel combustion in the home:* Burning fossil fuels in the home, particularly through cooking on gas stoves, releases toxic pollutants like nitrogen dioxide, benzene, and carbon monoxide. Gas stoves release these pollutants even when they are turned off. These pollutants are linked with serious health impacts: having a gas stove in the home has been linked to a 42% increase in childhood asthma [*27*].
- *Addressing inequitable outdoor air pollution:* Communities of color are exposed to PM2.5 concentrations from residential gas combustion 41% higher [*28*] and nitrogen dioxide concentrations 55% higher [*29*] than mostly white communities. Unequal exposure to air pollution in LIDACs compounds other environmental injustices. The data show stark disparities in rates of heart disease, asthma, and other chronic diseases. Lower life expectancy is the direct consequence of this inequity [*30*]. Decarbonizing housing will reduce overall pollution burdens on LIDACs and the societal costs of related health burdens.
- *Remediating health and safety hazards and deploying healthy building materials:* Low-income households often contend with a raft of health and safety hazards, including lead, mold, asbestos, and dangerous wiring. These hazards can make it harder for building owners to pursue decarbonization projects. Our program will address these health and safety hazards (and prioritize the use of non-toxic building materials in line with Enterprise's Green Communities Criteria) while delivering decarbonization projects to program participants.

Quality jobs and wealth-building benefits

- *Building pathways for union labor:* Low-value contracts and high acquisition costs have led to low union density among contractors serving single-family homes and some multifamily markets. Our program will aggregate projects at the scale required for union contractors to successfully bid, thus creating new market opportunities for union labor.
- *Expanding ownership opportunities:* We will provide low-cost working capital, technical assistance, and capacity-building for over 5,500 small contractors and developers to grow their businesses. This funding will prioritize veteran-, minority- and women-owned business enterprises (MWBE) that have traditionally lacked access to affordable capital.
- *Generating financial returns:* We will seek to leverage Taft-Hartley plans to create opportunities for labor pensions, investment trusts, and other benefits plans to participate in the capitalization — and reap the financial returns — of NCIF investments.

1.2.2.3 Market Transformation Benefits

Our program will deliver unique market transformation benefits, both through direct investment and through broader market interventions that scale residential building decarbonization technologies. Unlike other NCIF strategies that focus exclusively on financial tools, our strategy will dramatically drive down the cost of residential decarbonization to spark market transformation that will continue to grow after the seven-year period of performance.

Direct financial-market leverage: NCIF funds channeled through our program partners will drive down the cost of decarbonization and reduce the blended cost of capital on projects to a rate that allows LIDACs to participate in the energy transition. Absent this intervention, current market conditions and high rates are blocking the consumer demand required for significant supply-side capital mobilization. Private capital will play a crucial role in the projects PFC helps

finance, providing the capital mobilization necessary to scale decarbonization financing. We have intentionally designed our capital strategy to have a balance of direct origination by our coalition members together with origination by other community lenders to ensure we can scale up quickly through our own extensive lending platforms while also encouraging a broad set of capital providers to build decarbonization lending capacity and systems.

CDFIs, including Enterprise, LISC, and Habitat, have decades of experience demonstrating the bankability of communities or sectors considered too risky, small, or bespoke by traditional investors, and building the performance track record necessary to mobilize private capital at scale. The CDFI industry has also begun using the private markets to raise capital and/or create asset-backed vehicles for loan sales, with 13 CDFIs currently rated by S&P Global Ratings (S&P). LISC (AA-) and Enterprise Community Loan Fund (A+) have raised over $300 million via capital market transactions through FY22.

In the aggregate, we project that PFC's $7.6 billion in FA investments will leverage $36.4 billion in total development costs for qualified and priority projects, a leverage ratio of 4.8x. We achieve this leverage by matching NCIF funding with our on-balance-sheet resources, those of our community lender partners and project-level public and private sources. Based on the public and private composition of capital stacks typically found in the housing sector, we project to mobilize $25.7 billion in private financing, a private capital mobilization ratio of 3.4x. The table below further details private capital mobilization in accordance with the EPA's definition and guidance regarding output reporting by project category, and community type and geography.

	Investment (in thousands)	**Private Capital Mobilization (in thousands)**	**Mobilization Ratio**
by Priority Project Category			
Distributed Energy Generation & Storage	$555,773	$905,521	1.63
Net-Zero Emissions Buildings	$5,868,038	$21,044,993	3.59
Zero-Emissions Transportation	$95,460	$84,760	0.89
Other Qualified Projects	$1,039,230	$3,632,503	3.50
Total Financial Assistance	**$7,558,500**	**$25,667,777**	**3.40**
by Geography			
LIDACs	$6,145,441	$21,087,211	3.43
Rural Communities	$1,095,140	$3,322,141	3.03
Tribal Lands	$153,190	$427,671	2.79

Mobilization of additional capital: While NCIF financial assistance will leverage private sector capital, it alone is not sufficient to drive residential decarbonization at the necessary scale. Accordingly, we will leverage non-financial assistance NCIF funding in three additional ways, each of which will reduce per-project costs and allow us to reach more households:

First, we will maximize the deployment of federal, state, local, and utility incentives. According to Rewiring America's analysis, the IRA alone could invest over $500 billion in residential decarbonization over the decade, depending on incentive uptake [*31*]. We will unlock that potential through (1) our leading-edge incentive eligibility tools (designed to de-friction the

extraordinarily complicated federal-to-local incentive landscape), and (2) decarbonization packages, which are built around the IRA rebates and tax credits. These strategies are discussed further in section 1.2.5.4.

Second, we will leverage our demand aggregation and market partnerships to foster competition and unlock market efficiencies, thereby reducing equipment, installation, and financing costs for decarbonization technologies. We will accomplish this goal through a variety of mechanisms further discussed in section 1.2.5.2.

Third, our program will mobilize capital from corporations and philanthropies with net-zero, affordable housing, and public health commitments. In some cases, they will co-invest directly into the projects aggregated through PFC. We will also raise a $1 billion capital fund over the life of the NCIF award, enabling impact investors — companies seeking carbon offsets or to meet broader community reinvestment goals, impact funds, and national and community foundations — to buy down the cost of remediation and decarbonization projects in their communities. Finally, coalition members will raise $500 million to support software development, community engagement and education, workforce development, and market partnerships, leveraging the strong support we have already cultivated from the philanthropic community, with over $50 million in raised capital for market transformation. See Appendix 1.2.4.3 for letters of support for our program from 43 philanthropies and community foundations.

In the absence of the ongoing market transformation impacts that will be kickstarted by our program and NCIF investments, we project that the upfront cost of decarbonization will continue to be unaffordable for most low-to-moderate income (LMI) households for years to come. Evidence bears this out: we estimate that the average cost of a whole-home electrification with solar project for a single-family LMI household today is $45,500. Even with financing at a 5% interest rate over 25 years, decarbonization would remain unaffordable because loan payments would exceed monthly energy bill savings 92% of the time (based on energy saving analysis from the Cube). As shown on page 5, the capital mobilization and market efficiencies induced by our program have the potential to reduce the remaining costs of these same projects by 58%, to just $19,300. At this cost, and with the same 5%, 25-year financing, energy bill savings will exceed finance payments in a full 50% of single-family LMI homes, creating affordability for 26 million households across the country. A similar story will be true in the multifamily segment, where we project upfront cost savings of 56% due to our program's market-transforming effects.

These effects will persist well beyond the NCIF period of performance, and will catalyze additional cost reductions and savings (e.g., the addition of more solar energy will exert downward pressure on electricity prices relative to fossil fuel prices). Most importantly, they will dramatically increase the share of decarbonization projects that can be financed by the cost savings they produce, unleashing increasing amounts of private capital.

Catalytic effects: In addition to all of the above initiatives — which will primarily serve LIDACs — our program will build demand for decarbonization technologies across all households and market segments by funding community-based infrastructure, deploying national marketing campaigns and software tools, and proving the viability of our lending models. Given the higher income and savings among these households, this demand will be leveraged by the private sector for ongoing market-rate decarbonization projects and further advance our cost-saving impacts with no direct NCIF subsidy. While this investment does not accrue toward the narrow definition

of capital mobilization, it is important to recognize and measure, as it represents a pathway to market transformation unique to our application.

We estimate that our market transformation initiatives will result in 6.8 million household decarbonization commitments over the next three years and nearly 47 million commitments over seven years. As our strategies take hold, we believe an increasing percentage of these commitments will be converted to action, growing from 2.5% in 2025 to 7.8% in 2031. This will result in 5.2 million additional decarbonization actions over the seven-year period of performance, effectively catalyzing 4.5% of the electric technology purchases needed to stay on track for our national climate goals, reducing CO_2e GHG emissions by more than 10 million metric tons annually, and mobilizing $85.6 billion in additional capital.

Most importantly, our combination of the above strategies will achieve the legacy that NCIF was intended to catalyze: a virtuous cycle of market transformation where equitable and sustainable decarbonization across the housing sector will continue after the program concludes. This market transformation will be built on a broad ecosystem of bought-in supply chain actors and capital providers, educated and motivated homeowners and building owners, well-trained and well-paid workers, and dramatically lower costs financed by private capital without NCIF.

1.2.3 Portfolio Allocations

PFC has allocated $7.6 billion, or 79% of our total requested NCIF allocation, to the provision of financial assistance. Our FA will leverage 4.8x in total development costs and 3.4x in private capital to catalyze qualified projects in 376,896 homes and benefit an additional 100,000 households via rooftop solar and EV charger installations in multifamily buildings. Allocations across project categories, market segments, and geographies are discussed below.

1.2.3.1 Project Categories

Our allocations cover all three GGRF priority project categories, with a focus on net-zero emissions affordable housing in LIDACs. These projects will include retrofits of existing housing to achieve or approach net-zero emissions, construction of new net-zero emissions buildings, and deployment of distributed energy generation through rooftop/community solar and home batteries. We will indirectly enable the proliferation of zero-emissions transportation through EV charging infrastructure. Our anticipated project category allocation is as follows:

Project Category	Investment (in thousands)	Share of Total FA
Distributed Energy Generation & Storage	$555,773	7.4%
Net-Zero Emissions Buildings	$5,868,038	77.6%
Zero-Emissions Transportation	$95,460	1.3%
Other Qualified Projects	$1,039,230	13.7%
Total Financial Assistance	**$7,558,500**	**100.0%**

Many of our net-zero emissions buildings projects will also include rooftop solar or EV charger installations; per EPA guidance, we categorize these cross-cutting projects under the “Net-zero emissions buildings” category. Within that category, $5.2 billion will go to projects that also include distributed energy generation and/or storage, and $587 million will go to projects that also include EV charging infrastructure.

But we will deploy the majority of our funding in net-zero emissions affordable housing because housing upgrades can "unlock" broader market opportunity for both distributed energy and electric transportation. For example, consumers cannot pursue solar or EVs if their buildings have wiring deficiencies or insufficient electrical capacity. Many buildings in LIDACs also require roofing upgrades prior to the installation of rooftop solar, and the electrification of appliances and equipment can dramatically enhance the resilience and economic benefits of rooftop solar. Similarly, consumers will not buy EVs without easy access to charging [*32*], which may become the primary bottleneck to adoption as policymakers, regulators, and manufacturers commit to EV sales targets without corresponding investments in charging. We will address these barriers by investing where it is most catalytic: our homes and buildings.

All of our projects will meet EPA's qualified project criteria because they will reduce and avoid GHG emissions consistent with the climate goals of the U.S. (see section 1.2.2.1); reduce and avoid emissions of other air pollutants (ibid.); deliver additional benefits to American communities across all GGRF priority project categories (section 1.2.2.2); support only commercial technologies that are already widely adopted; deliver projects that would not otherwise have been financed (section 1.2.4.1), and mobilize private capital (section 1.2.2.3).

1.2.3.2 Market Segments

Based on our investment objectives to decarbonize the nation's affordable housing stock, our primary market segments include: (1) developers and owners of affordable multifamily rental properties; (2) owners of single-family homes; (3) institutional owners of single-family rental properties; and (4) nonprofit builders of single-family homes. Ancillary market segments include small-businesses contractors working on qualified projects and developers and owners of community facilities. Our projected market segment breakdown is as follows:

Market Segments	Investment (in thousands)	Share of Total FA
Multifamily Developers & Owners	$4,114,416	54.4%
Single-Family Homeowners	$1,832,400	24.2%
Owners of Single-Family Rental Properties	$339,825	4.5%
Nonprofit Builders of Single-Family Homes	$520,000	6.9%
Small Business Contractors	$458,710	6.1%
Community Facility Developers & Owners	$293,149	3.9%
Total Financial Assistance	**$7,558,500**	**100.0%**

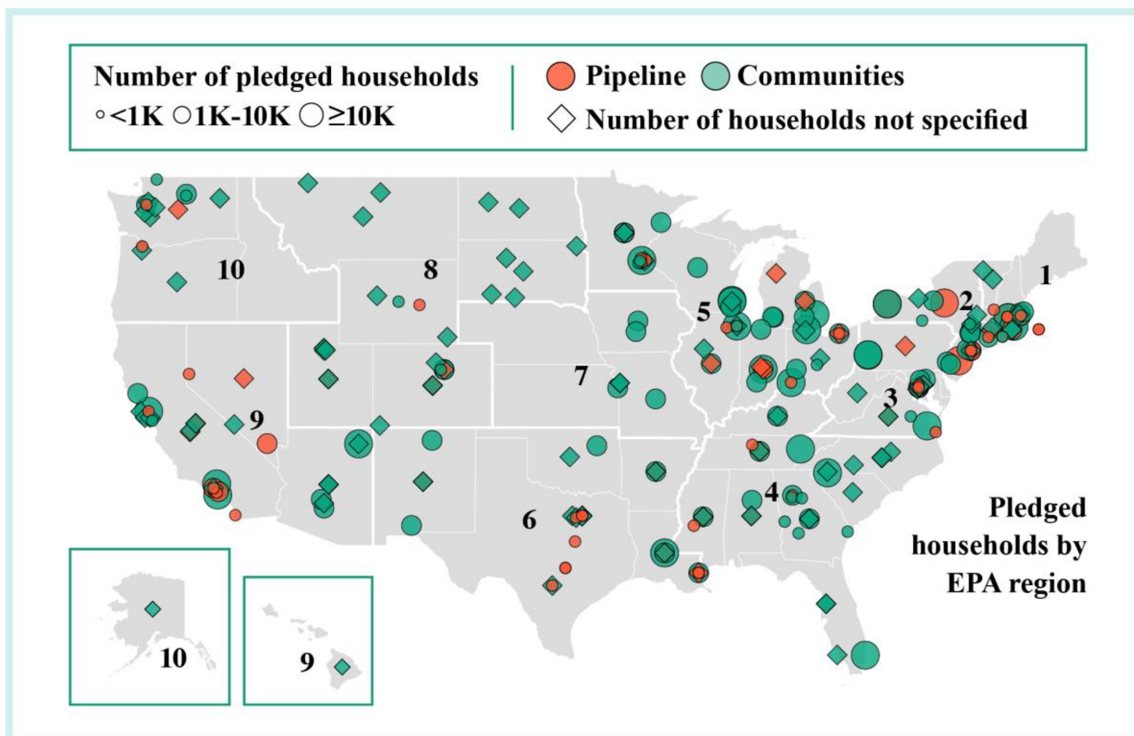
Our coalition's collective reach across these market segments and our anticipated deployment of 81% of our investments to LIDACs, above our 75% target, is key to achieving NCIF Program Objective 2 (equitably delivering the co-benefits of GHG- and air pollution-reducing projects).

We have structured our target market segments and products in response to the "but for" requirement that the project would not otherwise have been financed. NCIF funds are crucial to scale clean technology deployment and unlock access to capital in the affordable housing sector. We have dedicated the majority of our FA to multifamily buildings due to the size and capital-intensive nature of development. Net-zero emissions building retrofits are expensive and complicated to deliver, particularly in our nation's fragmented, aging, and rapidly diminishing multifamily stock of affordable housing. New construction of net-zero emissions buildings is

financially difficult, with lower rents and already stressed cash flows. Decarbonization of unsubsidized small- to medium-size multifamily properties is crucial but requires specialized financial products with affordability requirements to protect against increased rents and gentrification. We have also dedicated substantial FA to single-family housing in LIDACs, where low-income homeowners have less savings, lower credit scores, and limited access to capital. Because the single-family housing market is inherently fragmented, we project that NCIF FA activity will scale significantly over the seven-year award period, as a result of our efforts to build and transform this market.

1.2.3.3 Geographies

Our program will deploy financial products to communities and partners that have made housing decarbonization pledges, as well as to homeowners and building owners we identify through our national tools and other strategies. Collectively, our team's deep relationships have already produced over 232 letters from communities and partners across the country with pledges to **decarbonize a total of more than 1.25 million housing units across 46 states and every EPA region**. **156 community partners** have pledged commitments to decarbonize more than **716,000 housing units**, including more than **330,000 (46%) in LIDACs**, **30,900 in rural communities**, and **12,000 in Tribal communities** to date. And our **94 pipeline and transaction partners** have pledged to decarbonize more than **538,000 housing units** (primarily affordable multifamily)**.** There will be some overlap between these community and partner pledges, and not all of them will fully materialize. But between the many letters that do not specify a number of units and the additional partnerships we will form, we are confident our pipeline will be significantly larger than the total pledged number as of application submission.



Ultimately, we expect to invest 81% of our FA in LIDACs. Market-rate households in our partner communities and beyond will benefit from our market-building and demand aggregation

initiatives, but not from our FA except in select circumstances (e.g., targeted population with less than 150% AMI, or living in a mixed-income building). Our projected investment across priority geographies is as follows:

Priority Geographies	Investment (in thousands)	Share of Total FA
LIDACs	$6,145,441	81.3%
Rural Communities	$1,095,140	14.5%
Tribal Lands	$153,190	2.0%

Pledges have come from large cities like **Detroit**, **Philadelphia**, and **Atlanta**, rural communities like **DeSoto, GA** and **Rural People's Voice (WA)**, and Tribal communities including **Navajo Nation**, the **Coalition of Large Tribes**, and the **Gila River Indian Community**. See Appendix 1.2.1 for PFC's community pledges and letters of support.

1.2.4 Financial Products and Transactions

1.2.4.1 Financial Products

PFC's financial products are designed to achieve maximum impact in decarbonizing the nation's affordable housing stock. There are several products that meet the unique construction and retrofit needs of net-zero emissions buildings in LIDACs, specifically, the need for low-rate, long-term subsidy-like capital. In alignment with our program and investment objectives, we also provide products designed for related rooftop solar and EV charging. We allocate over half of FA to the multifamily segment, due to lower incomes, higher costs, and greater capital intensity in these projects, resulting in a projected 87,000 decarbonized homes. We allocate approximately 35% of FA to the single-family segment, resulting in a projected 290,000 decarbonized homes. Our ratio of homes approximately matches the proportion of multifamily and single-family housing units in LIDACs. Our range of products also ensures that we can meet our commitments to decarbonize communities across the country independent of housing type, fuel source, climate, and other local factors.

Flexibility will be key to deployment across market segments and geographies, and our products will be customizable based on a project's anticipated impact. Projects will receive more favorable terms if they achieve deeper affordability, provide greater reductions in GHG emissions, prioritize climate resilience, or use healthy and/or low-embodied-carbon building materials. As discussed in section 1.2.6, we will employ the Cube and the Impact Rating Tool to assess impact across these and other factors. More favorable terms will include lower interest rates and a forgivable percentage of the loan (for projects financed with low-income housing tax credit equity, this forgivable component will be in the form of a 50-year loan due to structuring requirements). Our products will also be customizable based on other factors, including a detailed understanding of the specific condition, performance, and location of a building, as well as the full spectrum of incentives the owner is eligible for. This will ensure our FA is minimized on a per-unit basis and achieves greater impact when compared to other lending products that set standard, non-responsive lending amounts.

<u>Multifamily and Community Facility Products</u>

We will offer a range of multifamily products that can also be adapted to serve community facilities (in particular, educational facilities and healthcare centers). All products will include

support for health, safety, and climate resilience measures that are necessary and reasonable for achieving net-zero emissions outcomes, and none will have prepayment penalties. At the property level, we will deploy technical assistance and predevelopment grant funding to develop holistic decarbonization plans, with the goal of braiding the below products and other financing to achieve comprehensive net-zero retrofits.

Energy Efficiency Rehab Permanent Loans will provide financing to multifamily property owners undertaking minor retrofits that achieve targeted reductions in energy usage or GHG emissions. Eligible uses will include efficiency upgrades (e.g., air-sealing and lighting) and the electrification of domestic hot water, HVAC, and appliances. We will work with these owners to engage in zero-over-time planning with strategically timed upgrades, and we will provide predevelopment grants to enable this planning. This product will be a residual receipt loan that will take a subordinate position on the real estate, with a loan-to-value (LTV) of up to 100%. It will have a 10-20 year term, depending on financing needs, and an interest rate of 1% to 3%. We have modeled average NCIF funding of $30,000 per unit, and the product may incorporate a forgivable component of up to 15%.

Net-Zero Rehab Permanent Loans will provide financing to multifamily property owners undertaking major retrofits that will result in a net-zero emissions building. Eligible uses will include efficiency upgrades, electrification of domestic hot water, HVAC, and appliances, and any costs required to achieve net-zero emissions. This product will be a residual receipt loan that will take a subordinate position on the real estate, with an LTV of up to 100%. It will have a 10-20 year term, depending on financing needs, and an interest rate of 1% to 3%. As a deep energy project that may employ NCIF funds for other reasonable and necessary expenses, we have modeled average NCIF funding of $120,000 per unit, and the product may incorporate a forgivable component of up to 25%.

Construction Loans will finance the construction of new net-zero emissions buildings. Eligible uses include any construction components that are reasonable and necessary for the overall project. This product will take a senior or subordinate position on the real estate collateral, with an LTV of up to 90%. It will be an interest-only loan with a term of up to three years and an interest rate of 3% to 5%. We have modeled average NCIF funding of $100,000 per unit.

Construction to Permanent Loans will finance the construction of new net-zero emissions buildings and convert to permanent financing upon construction completion. Eligible uses include any construction components that are reasonable and necessary for the overall project. This product will take a subordinate position on the real estate, with an LTV of up to 70%. This loan will have a term of 16-20 years and an amortization period of 30 years, upon conversion to the permanent phase, an interest rate of 1% to 3%, and a minimum Debt Service Coverage Ratio (DSCR) of 1.05x. We have modeled average NCIF funding of $100,000 per unit, and the product may incorporate a forgivable component of up to 25%.

Perm Forward Commitments will provide a forward commitment for permanent financing for new construction of a net-zero building. The permanent phase terms are identical to those for the Construction to Permanent Loan, with a rate-lock provided at construction close.

Solar Energy Loans will provide construction to permanent financing for solar energy improvements and/or installation of solar energy. Eligible uses will include residential rooftop

solar systems, carport solar systems, ground-mounted solar, storage, fuel cells, and enabling upgrades, including interconnection expenses. This product will be secured by Uniform Commercial Code (UCC) filings on equipment, and if applicable, Power Purchase Agreements, Energy Service Agreements, Solar Renewable Energy Credit (SREC) sale contracts, Engineering Performance Guarantees, and Production Insurance, with a maximum loan-to-cost (LTC) of 80% for solar energy and a maximum LTV of 70% for battery storage, inclusive of site improvement and development costs. The loan will have a term and amortization period of between 20-25 years, an interest rate of 2% to 4%, and a minimum DSCR of 1.1x. We have modeled average NCIF funding of $18,750 per unit benefiting from the financing, and the product may incorporate a forgivable component of up to 15%.

Charging Station Loans will provide construction to permanent financing for the installation of EV charging stations. Eligible uses will include Level 2 and/or Level 3 EV charging stations, electrical upgrades (including interconnection expenses), and necessary site improvements (including foundations and groundwork). This product will be secured by UCCs on equipment and all electrical service upgrades, and if applicable, user contracts, environmental credit offtake contracts (i.e. carbon offsets, low-carbon fuel standards), and Engineering Performance Guarantees, with maximum LTV of 70%, inclusive of site improvements and development costs. The loan will have a term of 5-10 years, an amortization period of 5-15 years, an interest rate of 3% to 5%, and a minimum DSCR of 1.1x. We have modeled average NCIF funding of $7,500 per dual port level 2 charger, and may incorporate a forgivable component of up to 15%.

Incentive Bridge Loans will provide a bridge to incentives such as tax credits and rebates. This product can be used across our priority project categories, and will be critical to unlocking the power of federal, state and local incentives. Most homeowners and affordable housing owners do not have the available cash to fund decarbonization investments and then wait months to be reimbursed through a tax credit or rebate. This is especially true for nonprofit or public owners, such as housing authorities, who will be able to use this product to take advantage of the new “Direct Pay” option for IRA tax credits. The loan will be secured with an assignment of the bridged payment, if available, or UCCs on equipment. We will offer advance rates ranging between 70% and 100%. This loan will be interest-only, with an interest rate of 3% to 5%, and the option for interest to be deferred until loan maturity or repayment. We have modeled average NCIF funding of $20,000 per unit benefiting from the financing.

This product will be even more powerful given the ability of our partners LISC and Enterprise, two of the largest tax credit syndicators in the nation, to offer equity as the “takeout” for loans that bridge federal and some local tax credits. Our research shows that while large manufacturing and utility-scale projects are finding an active IRA tax credit equity market, multifamily projects are finding fewer sources of tax credit equity and lower returns as a result.

Single-Family Products

Our single-family financial products will be tied to predefined “packages” of decarbonization measures (see Exhibit D), which will allow us to standardize pricing and financing (as well as streamline project delivery, negotiate discounts on equipment, and train installers). These equipment packages will also enable us to target win-win retrofit opportunities (that maximize for GHG reductions and cost savings) with high confidence.

The products are primarily designed to support the net-zero emissions buildings priority project category, with an allowable use of funds in a number of products that includes solar energy and storage to support the distributed energy generation and storage priority project category and EV charging to support the zero emissions transportation category. The products are oriented toward owner-occupied homes with the exception of the rental loan product. All products will include support for health, safety, and climate resilience measures that are necessary and reasonable for achieving net-zero emissions outcomes, and none will have prepayment penalties.

The vast majority of single-family FA will be invested in LIDACs. The remainder will be limited to households making less than 150% AMI (the upper limit for IRA electrification rebates) and will primarily be sourced through our program's consumer outreach through corporate, service, and nonprofit partners like **Uber**, **Airbnb**, and the **American Federation of Teachers**.

The servicing strategy for the single-family products will include best practices for borrower-friendly loan modifications (e.g., extending loan terms, lowering interest rates, and introducing income-based repayment). While net utility bill savings cannot be guaranteed over time due to a variety of factors (e.g., uncertainties in the long-term price of electricity), we will deploy FA so that our financing does not increase costs for any household whose home or building we decarbonize. Accordingly, we will select for single-family projects that are modeled to provide households at least $20/month in net savings. To further mitigate any risk to achieving utility bill savings, we are developing and testing novel insurance products that can be bundled with our products, including insurance against extreme cold-weather events. We will also build in VPP services and community solar (for households without rooftop solar) by default to provide additional revenue streams for electrified households wherever possible.

Gap Home Decarbonization/Electrification Loans will come in two general structures, depending on whether they include solar. Projects that achieve decarbonization through both electrification and solar installation will have a "Home Decarbonization Loan" term of up to 25 years and an average loan size of $22,000 (addressing the gap between costs and reimbursements from incentives and rebates). Projects limited to electrification will have a "Home Electrification Loan" term of up to 15 years and an average loan size of $4,000. Average loan sizes could range higher depending on incentive availability and the success of market mobilization efforts, which would affect household projections. These loans are designed to provide long-term, affordable financing for the remaining expense not covered by tax incentives and rebates. Each will offer at least a 5% effective discount relative to prevailing market interest rates. Key terms of this loan include a standard UCC-1 filing, a 12-month "same as cash" promo period where interest is forgivable on repaid amounts (as a means of providing effective prefunding of tax credit and other incentive benefits to households), and default enrollment in VPP services. For households <80% AMI, the loan product will be offered at a below-market rate. Underwriting criteria will include an assessment of ability to pay (modeled energy savings of at least $20/month per household after loan payments, no greater than 90% combined loan-to-value) and a minimum FICO score of 580. While we anticipate a loan will almost always be more advantageous to consumers, we will retain the option to structure lease products where the results are more favorable to the consumer. We have modeled average NCIF funding of $11,000 per unit for the decarbonization loans and $2,000 per unit for the electrification loans.

Mortgage Add-on Decarbonization/Electrification Loans will have the same general terms as the gap home decarbonization/electrification loans but will be made available as an additional

potential source of capital at the point of mortgage origination to incentivize simultaneous electrification of the property. We intend to structure these loans in a standardized way to make them maximally compelling to potential securitization vehicles including Fannie Mae and Freddie Mac.

Single-Family Rental Loans will offer a term of 25 years for subordinated debt for up to $60,000 per unit, including $30,000 in NCIF funds, for single-family rental owners that upgrade their units with a decarbonization retrofit. These loans are primarily intended for naturally occurring affordable housing; as such, a key element of this offering is ensuring that upgraded homes remain affordable. One key condition of lending will be that the units will be kept affordable to households earning less than 80% of area median income for the term of the loan. As described below, we will partner with Roofstock to actualize and deploy this financing tool.

Habitat Net-Zero New Construction Loans will finance the construction of new net-zero emissions single-family homes. Loans may be unsecured or secured by the real estate collateral and will be interest-only for a term of up to two years and interest rates of 0% to 1%. Unlike affordable housing rental developers, Habitat affiliates fund a significant portion if not all of their total development costs through philanthropic fundraising in order to preserve affordability. In order to keep Habitat homes available to buyers below the 80% AMI level, costs associated with utilizing debt financing are often absorbed by the affiliate. Similarly, the increased costs of building net zero cannot be easily passed through to the homebuyers given that affiliates are already providing on average a 20% subsidy in the mortgage sale transaction in order to ensure affordability. Any additional cost has to be borne by the affiliate. As a deep energy project that may employ NCIF funds for other reasonable and necessary expenses, we have modeled average NCIF funding of $150,000 per unit, and may incorporate a forgivable component of up to 50%.

Habitat Net-Zero Rehab Loans will finance up to 50% of the cost to acquire and/or rehabilitate existing properties as net zero for sale to homebuyers below 80% AMI. A significant portion of the Habitat network's home production is in the form of rehabs of existing structures. Similar to the new construction loan, this loan will target preserving affordability for low-income homebuyers. Loans may be unsecured or secured by the real estate collateral and will be interest-only with a one-year term and interest rates of 0% to 1%. We have modeled average NCIF funding of $50,000 per unit, and may incorporate a forgivable component ranging between 10% and 50%.

Sustainable Home Repair Loans will finance energy efficiency and electrification retrofits targeted to homeowners at 80% AMI and below. Loans will be unsecured or take a second lien on the home, where appropriate, with a term and amortization period of 30 years and interest rates of 0% to 1%. Built on LISC's existing multi-city (Detroit, Memphis, Cincinnati, Cleveland, Charlotte) housing repair loan platform, the product will be offered by CDFI partners in these markets that provide intake services, identify and manage contractors, and underwrite, close and service the loans. Research conducted by LISC showed that in Detroit, 80% of applications for FHA-backed home improvement loans were denied, with only 460 out of 2,284 applications approved. The two most commonly cited reasons for denials were insufficient collateral due to below-market appraisals and poor credit. This product is designed to overcome those barriers, permitting credit scores of 560 or above and a debt-to-income ratio of 45% or below.

Small Business Products

Contractor Lines of Credit will provide the working capital needed for contractors (many of them small businesses) to perform the electrification and solar installation work itself. Eligible uses include: (1) prefunding IRA rebates that contractors will recoup later from State Energy Offices (SEOs); (2) investing in additional capacity to serve LIDACs; (3) investing in incremental inventory of rebate- or tax-credit-eligible electrification hardware; and (4) other working capital purposes tied specifically to NCIF qualified projects. The line of credit will be secured with a UCC on business assets, with a term of seven years and an interest rate of 3% to 5%, and it will prioritize MWBE and veteran contractors. We have modeled average NCIF funding of $750,000 per line for multifamily and $43,000 per line for single-family segments.

Aggregate Usage and Financing Vehicles

As discussed above, our anticipated product mix (summarized in the table below) directs greater support toward multifamily housing. Over 80% of grant funds support priority project categories in which we are able to provide higher levels of subsidized financing for related expenditures that are reasonable and necessary for the overall project. This mix is further informed by our three-year $5.5 billion pipeline for multifamily projects, which includes approximately 10% for limited retrofits, 30% for net-zero rehabs, 25% for new net-zero construction, and 7% for solar installation projects. On the single-family side, we estimate roughly an equal mix of home decarbonization loans vs. home electrification loans on a project basis, accounting for the significant number of U.S. homes for which rooftop solar may not be a suitable option but which could access carbon pollution-free electricity via community solar.

	Amount (in thousands)	Share of Total FA
Multifamily and Community Facility Products		
Retrofit Perm Loans	$694,600	9%
Net-Zero Rehab Perm Loans	$775,275	10%
Net-Zero Rehab Perm Loans, SMMF	$357,300	5%
Construction Loans	$725,925	10%
Construction to Perm Loans/Forwards	$903,908	12%
Incentive Bridge Loans	$299,325	4%
Solar Energy Loans	$555,772	7%
Charging Station Loans	$95,460	1%
Sub-Total	**$4,407,565**	**58%**
Single-Family Products		
Home Decarbonization/Electrification Loans	$1,812,425	24%
Single-Family Rental Loans	$339,825	4%
Habitat Net-Zero Construction Loans	$299,000	4%
Habitat Net-Zero Rehab Loans	$221,000	3%
Sustainable Home Repair Loans	$20,000	0%
Sub-Total	**$2,692,225**	**36%**
Small Business Products		

Contractor Lines of Credit	**$458,710**	**6%**
Total Financial Assistance	**$7,558,500**	**100%**

1.2.4.2 Current Transaction Pipeline

PFC has the support of a wide variety of community development stakeholders, as evidenced by 28 Transaction Pipeline letters (see Appendix 1.2.4.2). This support forms the foundation of a sizable transaction pipeline that aligns with our portfolio allocation and projected geographic deployment. When combined with the community pledges, our current pipeline is already far surpassing the number of projects we expect to deliver to LIDACs, exceeding our target for Tribal communities, and nearing our target for rural communities.

Multifamily Buildings, Community Facilities, and Small-Business Contractors

Our pipeline aligns with our portfolio allocation, with roughly two-thirds of FA supporting affordable multifamily rental properties, community facilities, and small businesses. The pipeline for the first three years of performance totals $5.5 billion in financing for 1,450 projects, including $742 million in financing for approximately 200 projects in the first year. We project that half of these projects will materialize in the first six months of the performance period, which aligns with the $300 million of NCIF allocation we anticipate deploying. The majority of the pipeline is affordable multifamily projects, resulting in 82% deployment in LIDACs.

Representative six-month multifamily and community facility project pipeline:

- *National* – We will work with the **AFL-CIO Housing Investment Trust** (HIT) to leverage its project pipeline of 30,000 units and deploy $750 million of PFC financing. Since 1984, HIT has invested more than $10 billion in union capital to create over 126,000 units of rental housing — over half of which are affordable.
- *Ulster County, NY* – LISC will finance the redevelopment of a former hotel into 83 affordable units (70 of which will be Empire State Supportive Housing Initiative units) with on-site case management services. The project will include a geothermal heating system and a rooftop solar installation, and requires $4 million in construction to perm financing.
- *Washington, DC* – At 1330 Apartments, a 136-unit, gas-powered building affordable at 60% AMI, an ASHRAE Level 2 energy audit revealed a site energy use intensity (EUI) of 91.7. Through a $2 million Energy Efficiency Rehab Permanent Loan, ECD can invest in electrification and energy efficiency improvements and reduce EUI by more than 50%.

Our pipeline for the contractor/developer lines of credit is detailed in section 1.2.5.2; near-term transactions will be sourced through Enterprise, LISC, and our community partners.

Single-Family Buildings

We allocate the final third of our FA to the single-family market segment. We expect the single-family pipeline to start slowly and grow rapidly as we deploy market-building and demand aggregation tools, content, and distribution channels across the country. Over three years, we expect to build a pipeline of approximately $750 million in financing across 28,000 projects. We have conservatively projected minimal transaction activity in the first six months of performance, totaling $59 million in investment through Habitat affiliates and Rewiring America. Habitat affiliates are planning to begin construction of ~200 net-zero homes in the first six months of performance, all of which are households at 80% AMI or below. Rewiring

America is currently leading single-family decarbonization demonstration pilots across six communities, which will have the deployment infrastructure in place to begin funneling their collective 12,500 LIDAC housing decarbonization pledges into our six-month project pipeline.

Representative six-month single-family project pipeline:

- *National* – We will work with **Roofstock** to invest up to 90% of its new single-family rental housing acquisition fund (representing $900 million of capital and 2,800 homes upgraded) in an affordable decarbonization strategy, providing up to 40% of residents with long-term rent stabilization and serving as a model affordable housing preservation strategy. Roofstock is a leading real estate investment marketplace with over $5 billion in transactions since 2015.
- *Saint Paul, MN* – Twin Cities Habitat has partnered with Saint Paul Port Authority and the City of Saint Paul to develop 140 affordable, net-zero emissions housing units in the Northern Hayden Heights neighborhood of Saint Paul. The homes will be built with DOE's Zero Energy Ready Home certification, Indoor AirPLUS certification, and long-term durability and affordability for low-income residents earning up to 80% AMI. The project requires a $6.6 million construction line of credit.
- *Tulsa, OK* – Rewiring America is partnering with the Cherokee Nation, George Kaiser Family Foundation, Green Country Habitat, and Revitalize T-Town on a multi-phase decarbonization demonstration project. By January 2024, we will complete one whole-home electrification retrofit and install heat pumps in six single-family homes. Throughout 2024, we will expand this pilot to an additional 100 low-income households. The City of Tulsa has expressed interest in decarbonizing 4,000 homes over the seven-year NCIF period of performance via their letter of support.

1.2.4.3 Transaction Partnerships Plan

PFC's Transaction Partnerships Plan builds upon our coalition members' existing capacity and relationships to build and execute on a robust and effective national transaction pipeline. Consistent with our overall program model, our transaction pipelines are built on extensive local, regional, and national partnerships, which have been key to our deployment success.

Coalition transaction capacity: We are able to generate pipeline from a number of sources: (1) 1,100 Low-income Housing Tax Credit (LIHTC) properties (77,000 units) with expiring compliance periods that are slated for green retrofits, as well as the origination of new net-zero emissions properties, through Enterprise and LISC's LIHTC business lines; (2) ECD's portfolio of 13,000 units owned and operated across 115 properties in the mid-Atlantic region; (3) Enterprise Real Estate Equity's portfolio of 37 workforce and affordable properties of close to 10,000 units with green retrofit needs; (4) community facility projects through Enterprise and LISC's New Market Tax Credit (NMTC) units, the two largest allocatees in the country; (5) Habitat's 1,200 affiliate network of single-family developers; and (6) Enterprise and LISC's existing initiatives for supporting MWBE developers and contractors.

Transaction partnership capacity: We anticipate providing approximately half of our FA directly through our coalition and half indirectly through community lenders. 158 transaction partners have submitted letters of commitment for our coalition, our project-level product suite, and our entity-level financing structures (see Appendix 1.2.4.3). These partners include national banks like **JPMorgan Chase**, **Bank of America**, and **Wells Fargo**, Housing Finance Agencies

in CA, CT, DC, IL, MI, NY, PA, RI, and VA, and community lenders like **Rural Community Assistance Corporation**, **Finance New Orleans**, and the **Low Income Investment Fund**.

Multifamily: Our significant investment track record in community development projects is due to PFC coalition members' long-standing relationships with a host of borrowers, funders, and industry stakeholders. We will continue to maintain and draw upon these relationships to both develop and execute upon an impactful pipeline of projects. We will work with nonprofit and mission-driven housing and community facility developers to meet their financing needs through customized product offerings and TA. We will provide attractive low-cost, non-recourse, and potentially forgivable debt to our industry peers, including CDFIs, green banks, credit unions, and other community lenders. We will work with State Housing Finance Agencies to finance their portfolios, either through the provision of FA on a pooled basis, or through direct origination as project-level subsidy. We will rely on our national, regional, and local banking partners to provide leverage for our NCIF grant funds at the project level, providing the private capital mobilization necessary to scale decarbonization financing.

Single-family: Transactions with single-family households will be made at the household level, requiring close coordination between PFC and our transaction partners. We will work with an expansive group of local lenders (including CDFIs and credit unions) and national, mission-aligned lenders like **Atmos Financial**, **GoodLeap**, **Inclusive Prosperity Capital**, **Mosaic**, **National Energy Improvement Fund**, and **Posigen**. Operationally, lenders will integrate Rewiring America's Cube model and software tools to standardize project underwriting and receive technical assistance to confidently deploy PFC financial products at scale. This integration will be the mechanism for participating lenders to leverage NCIF financing for the products described in 1.2.4.1. We will also extend these lenders' credit boxes and open up financing to previously excluded households. We anticipate employing a credit enhancement structure in which we provide 50% of the capital in the form of 1% to 2% first-loss debt.

1.2.5 Market Development Plan

Our Market Development Plan addresses the technical and market barriers to affordable housing decarbonization identified in the application thus far.

1.2.5.1 Predevelopment Plan

Our Predevelopment Plan will drive a pipeline of financeable projects in LIDACs by enabling: (1) the identification of high-impact qualified projects through community-based tools; (2) the planning of qualified projects through project-based tools and technical assistance; (3) the technical feasibility of qualified projects through pre-decarbonization site preparation and remediation; (4) and the provision of $285 million, 6% of our allocation request, in predevelopment grant funding that supports a pipeline of qualified projects PFC will finance.

Identifying high-impact opportunities: The first element of our plan is a suite of sophisticated digital tools that will be made available to community partners and technical assistance providers to support goal-setting, planning, and community outreach. We are developing a Community Electrification Planner (CEP) tool that can be used to quantify the benefits of decarbonization and identify unique project profiles that offer the greatest potential for technical success (based on feasibility and projected GHG impact) and household economic success (based on a full accounting of project-specific costs, incentives, financing, and energy bill savings). The CEP will build upon Rewiring America's Cube model and Incentive API, extensive market research,

and technical and financial analysis of opportunities for building decarbonization both nationally [*33*] and sub-nationally [*34, 35*]. Community leaders will be able to use the CEP to tie project profiles to actual buildings to generate high-impact project pipelines. We will also leverage our relationships with multifamily affordable housing developers and community lenders to identify high-impact projects and connect those projects to technical assistance.

Building a comprehensive project planning & delivery platform: The second element of our plan is building and honing a streamlined, standardized process to deliver projects in LIDACs. Today, a typical household pursuing decarbonization projects must interact with a dizzying array of contractors from multiple trades, lenders, and government officials, none of whom coordinate with each other. These inefficiencies delay projects, run up costs, and turn off consumers, especially low-income households that have little time and money to begin with.

As such, within the affordable single-family market (a sizable percentage of which is located in rural and Tribal communities), the greatest challenge and opportunity for our program will be to improve the household experience, lower program churn, and improve project economics by developing a technology-enabled community support model. At each step in a homeowner's decarbonization journey, we will ensure that they have the context, knowledge, and tools to minimize burden. The Household Electrification Planner (HEP) platform developed and managed by Rewiring America will streamline consumer education, incentive and FA eligibility verification and delivery, and project design and scheduling. The platform will also integrate with our vetted contractor marketplace (complete with robust quality assurance mechanisms) and lending partners (complete with strong consumer financial protections) to ensure the seamless and high-quality delivery of projects and financing. To maximize accessibility, homeowners will have the option to interact with the HEP via a self-serve digital platform or via community-based navigators (as per section 1.2.5.2) if they need additional assistance.

For the multifamily market segment, Enterprise and LISC will spearhead the provision of technical assistance to assist property owners as they plan decarbonization projects, backed by $285 million in predevelopment grant funding. High-touch, customized TA will be provided in conjunction with the provision of small grants to offset owners' predevelopment expenses. We plan to offer approximately 1,200 of these smaller grants to cover a variety of early-stage predevelopment expenses, including grants of up to $35,000 for feasibility studies, site assessments, and energy/electrification audits, up to $70,000 for emissions reduction design and construction administration services, and $50,000 for "energy justice" assistance (reserved for deeply low-income and J40 communities) to offset any temporary increases in energy burden for residents in the year before utility allowances are adjusted to reflect post-retrofit conditions. TA itself will be informed by the Enterprise Green Communities program, which is the dominant standard for green building in the affordable housing sector, having affected nearly 200,000 affordable households and being required or incentivized by more than 30 states.

We will also provide 450 grants with an average size of $500,000 to large multifamily and community facility developers with near-term pipelines that require early-stage financing to move forward. Coalition member lending staff will be responsible for originating these predevelopment grants, which will seed our project pipeline.

Preparing buildings for upgrades: The third and final element of our plan is to provide and coordinate direct technical and financial support to building owners when health and safety

upgrades are required prior to the installation of qualified projects. In much of our nation's low-income housing stock, structural deficiencies, dangerous wiring, insufficient electrical service, and the presence of lead, mold, or asbestos have long prevented participation in energy efficiency and electrification programs due to high remediation costs and insufficient programmatic and financial coordination. We will seek to overcome these barriers by identifying remediation and repair needs and by coordinating funding to address those needs.

Specifically, we will train community-based navigators, auditors, and contractors to identify structural and remediation needs. Then, we will work with local partners — including CBOs and local housing and social services authorities — to match building owners with solutions and coordinate all qualified funding sources as detailed in section 1.2.5.4. We will build the remaining remediation and repair costs into qualified projects, thereby unlocking the capital required for all building owners to pursue holistic home upgrade solutions.

1.2.5.2 Market Building Plan

PFC's Market Building Plan will expend grant funds primarily in LIDACs and will simultaneously catalyze national demand, creating a ripple effect that reaches *all* consumers and market segments, not just those served by our financial products. Given the magnitude of interventions necessary to disrupt the market and ensure LIDACs benefit from decarbonization, we have dedicated a significant share of our allocation, $1.1 billion, or 12%, to these efforts.

Non-Financial Market-Building

Educating consumers and building owners: Many building owners are not familiar with decarbonization terminology and technologies, and very few will be familiar with our specific NCIF offerings. As such, we will invest in community and individual education through navigators, multifamily outreach, resource hubs, and "lighthouse" projects.

- *Community-based navigators* will support deeper outreach to low-income households, serve as an additional technical and programmatic resource, and inspire the confidence needed for households and property owners to move forward with qualified projects. From retired engineers and building electrification experts to local educators and religious leaders, these navigators will have a range of experience and expertise. We will train up to 20 navigator positions in each participating community.
- *Multifamily-specific outreach and education* will build demand within the sector, particularly among developers. In the survey of multifamily developers mentioned in section 1.2.1.1, respondents indicated strong interest in decarbonization if TA and low-cost financing were more widely available. Accordingly, we will convene and coordinate a network of building science experts and TA providers to move owners of multifamily properties from interest to action. All multifamily developers and property managers will have access to medium-touch, standardized TA, including webinars and in-person training on the costs and benefits of decarbonization, incentives coordination, zero-over-time approaches, maintenance of electric systems, emissions tracking, and portfolio planning. Our community-based navigators will also offer programming to engage and empower renters to advocate for building upgrades.
- *National help desks* will connect even more consumers to these resources and to our financial offerings. United Way will integrate our program into its 211 telephone network and 211.org online support network, which serve more than 20 million support requests each year. Enterprise and LISC will also develop and staff a help desk specifically for multifamily building owners and developers.

- *<u>“Lighthouse” projects and demonstration events</u>* will further engage consumers and generate peer-to-peer interest. Lighthouse projects will include schools or federally qualified health centers, which are ideal candidates for renewable microgrids and will expose a broad cross-section of community members to the benefits of decarbonization. Similarly, decarbonization open houses will enable potential NCIF beneficiaries to interact with technologies in person and hear from successful recipients.

All of the above will rely on partnerships with community- and faith-based organizations, and we will seek to support their capacity accordingly. Our community partnerships will help to ensure that our market-building activities are aligned with local priorities, integrated into existing initiatives, and effectively engaging with hard-to-reach households.

Leveraging partnerships and tools to achieve national consumer activation: We will complement our various high-touch engagements with national campaigns to catalyze demand, both within and outside LIDACs. We will develop and execute a multi-channel communication strategy that deploys tested messages, easy-to-use tools, and trusted messengers to appeal to diverse audiences across the country. We are partnering with the **Ad Council** and **Yale’s Program on Climate Change Communications** to design research-based campaigns, develop targeted content, and share decarbonization success stories.

In addition, we will make the digital platform that powers the LIDAC single-family homeowner experience (see section 1.2.5.1) available for all U.S. homeowners to use. Rewiring America’s Household Electrification Planner, consumer-facing education tools, contractor marketplace, and incentive eligibility wizard will streamline key parts of the customer journey.

Our tools and messages will be disseminated through a combination of advertising, earned media, and amplification through trusted brands. Our media program will include digital marketing, radio, and print advertisements on public transportation and in targeted local newspapers in our pledge communities. We will also use public service announcements, including through United Way’s partnership with the **NBCUniversal** PSA program. Per our letters of commitment, partners like **Lyft** and **Uber** will use their ridesharing apps to educate drivers and riders, household brands like Kenmore (with 44 million appliances in U.S. homes) will educate customers, and platforms like **Redfin** and **Airbnb** will help consumers get the most value and comfort out of their homes. National service and nonprofit organizations (like the **American Federation of Teachers**, **National Urban League**, **Solar United Neighbors**, **WorkMoney**, and **Propel**) will leverage their reach to over 10 million households to educate and generate interest. Cultural leaders and media influencers like **Scott Brothers Global** will get electric appliances on-screen. (See Appendix 1.2.4.3 for additional letters of commitment). Ultimately, the collective reach of these diverse and robust distribution channels will cover almost every household in the United States, generating a pipeline of nearly 47 million committed households and resulting in 5.2 million completed projects over seven years.

Aggregating demand to reduce costs: We will leverage our project pipelines, demand aggregation, and market partnerships to foster competition and unlock market efficiencies, thereby reducing upfront and financing costs and stimulating additional interest in NCIF capital supply. For example, we will reserve an initial $125 million of market-building funds over the first three program years as an insurance pool to guarantee $1 billion in sales volume for select manufacturers, distributors, retailers, and installers (chosen via competitive RFP). In return for

the volume guarantee and long-term access to new consumer segments, these actors will materially lower equipment and installation costs. We have collected letters of commitment for this pilot program from some of the largest electrification supply-chain participants in the country, including **American Residential Service**, **Carrier**, **Eaton**, **Greentech Renewables**, **Hajoca, HD Supply** (**Home Depot), CBI [redacted], Mitsubishi Electric Trane U.S.**, **Qmerit**, **Schneider Electric**, **Span.IO**, **Sunrun**, **Trane Technologies,** and **Transform SR Brands Management** (**Kenmore**, **Sears**, **Sears Home Services**) (see Appendix 1.2.4.3 for letters of commitment). This strategy will expand the supply of capital in LIDACs by reducing the blended cost of financing to a rate that can mobilize consumer demand and private investment.

We will also aggregate non-emergency qualified projects and "bundle" delivery of projects during shoulder seasons, when installers typically see lower demand. This in turn will increase predictability, reduce acquisition costs, reduce drive times, ensure sufficient capacity to cover emergency needs in peak seasons, and lower costs for consumers. Additionally, we will deploy a series of standardized decarbonization measure packages that will maximize GHG savings and eligibility for federal, state, and local incentives. This will allow us to pre-define pricing and financial product offers, streamline underwriting and installation, and reduce financing costs.

Ensuring positive outcomes and supporting contractors and developers: We will seek to ensure high-quality installations by connecting consumers with a vetted, qualified, and trained "contractor marketplace." As noted in section 1.2.5.3, qualified contractors will be required to have the appropriate licensing and permitting, encouraged to employ graduates of registered apprenticeship programs, trained to deliver quality installations, and be responsible for meeting rigorous quality assurance standards. We will also conduct site inspections and monitor customer evaluations to maintain quality and direct more business to the best-performing contractors. This marketplace will be sourced, in part, through national partnerships with manufacturers and installer networks. For example, **Mitsubishi Electric** conducts more than 65,000 training interactions per year and maintains a network of 5,600 Elite Diamond Contractors. We have also secured commitments from **American Residential Service**, **Transform SR Brands Management** (**Kenmore, Sears, Sears Home Services**), and **Qmerit**, which collectively employ more than 9,000 technicians and installers.

We will also source contractors through local communities to ensure that MWBEs participate in NCIF-funded projects. In addition to the training and workforce development described in section 1.2.5.3, we will offer low-cost working capital to help 4,500 contractors and developers build capacity to serve LIDACs. These lines of credit will be supported by partnerships with community lenders, the **National Urban League**, and learnings from the Enterprise Equitable Path Forward initiative's unsecured entity-level lines of credit for developers of color and LISC's small-business lending program, which has directed capital to more than 4,000 businesses led by people of color through partnerships with 24 CDFIs and several TA providers. We will also partner with capacity-building organizations such as **Elevate** and LISC's network of over 130 business development organizations. These efforts will help contractors and developers upgrade their marketing and accounting systems, develop their operations procedures, and access relevant professional development opportunities.

Financial Market-Building

The demand-side initiatives listed above will collectively reduce the cost of decarbonization projects to a level that can catalyze demand and mobilize mainstream private capital. To ensure that community lenders can meet this demand, we will undertake a variety of financial market-building activities to address capital supply-side barriers to financing qualified projects in LIDACs. These activities will include providing tools and TA to private capital providers and community lenders, including CDFIs, green banks, credit unions, and HFAs, and increasing their access to the capital markets.

PFC will provide open access to the Cube for determining loan eligibility, calculating subsidies, and collecting underwriting due diligence information. We will develop standardized project performance criteria, underwriting guidance, loan documentation, and impact reporting methodologies and tools, such as our Impact Rating Tool, that partners can use to review, document, and improve lending processes and decisions based on robust impact analysis. Building these tools alongside our financial products provides numerous benefits: streamlining processes, reducing soft costs, and aligning with industry standards while staying true to our mission to provide capital to the places and communities that need it the most.

We will provide research and share best practices in capital raising, such as LISC and Enterprise's joint 2023 publication *CDFIs and the Capital Markets, Trends in Investment and Impact Measurement* [*36*]. We will disseminate best practices in disclosure, trends in rated and unrated note issuance, and enhanced alignment with impact frameworks to improve pricing for decarbonization financing. This research is critical for educating community lenders and accelerating the development of new capital supply-side products that can crowd in investors.

Enterprise is partnering with Opportunity Finance Network's development services team to build a Carbon/GHG Accounting workshop for CDFIs for late 2024. This workshop will leverage learnings from implementing the Partnership for Carbon Accounting Financials (PCAF), helping create a standard within the CDFI industry around carbon accounting and disclosure, a key component of financial market building for the green economy. Additionally, LISC and Enterprise are both part of the Beneficial State Bank Foundation's Underwriting for Racial Justice lender cohort, which explores how alternative underwriting approaches can increase credit access within LIDACs. This financial market knowledge sharing is critical to understanding how capital can be unlocked to best serve LIDACs and ensure a just transition.

We will also facilitate capital access more broadly for CDFIs and other community lenders. LISC has a track record of fostering a secondary market structure through its SEC-regulated Fund Management, which partners with more than 20 peer CDFIs. Established in 2019, LISC Fund Management manages close to $1 billion in Impact Funds, including place-based affordable housing funds, treasury funds, and conduit investment funds that purchase loans from CDFI originations partners. Enterprise has partnered with other CDFIs through its master participation program, in which it participates in loans originated by other CDFIs to provide access to flexibly-priced capital and help grow their activity.

Enterprise and LISC can both leverage their investment-grade credit ratings to access the capital markets, including retail and institutional investors. This access includes issuance through LISC's Impact Notes program via a specific pricing supplement aimed to support green lending activities, or adding a programmatic carve-out to Enterprise's Community Impact Note. These

activities will help build a market for individual and institutional investors to align their capital with stated GGRF program objectives, to the benefit of other community lenders.

Enterprise Community Loan Fund and LISC are both members of the International Capital Market Association, and participate in working groups to disseminate best practices in green, social, sustainability, and sustainability-linked bonds, including developing new resources for issuers who are looking to align their bond proceeds within recognized industry frameworks. As feasible based on the rate environment, coalition partners could also explore a larger bond issuance tied to the International Capital Market Institutions Climate Transition Finance guidance, which would allow partners to set science-based targets in a capital raise.

1.2.5.3 Labor and Equitable Workforce Plan

The housing sector has two distinct labor markets for HVAC and related trades. The multifamily sector (which has historically benefited from economies of scale) features significantly higher union density, higher job quality, and 33% higher wages and three times higher fringe benefits than the single-family sector [*37*], where high acquisition costs and small contracts combine to reduce per-project margins and prevent high-road contractors from bidding on projects. The wage gap is particularly pronounced among Black, Latino, and women workers, where union members out-earn their non-union peers by up to 40% [*38*]. These labor deficits can have detrimental effects on the residential sector: low wages and sparse training lead to workforce shortages and worker turnover and increase the likelihood of low-quality installations — a threat to consumer safety, trust, and economic well-being. LIDACs have long been exploited by predatory contractors, so our program is designed to deliver better outcomes.

PFC's Labor and Equitable Workforce Plan addresses these issues and will drive an upward convergence of labor standards, wages, and training for workers across all sectors of the housing market. In doing so, we will unlock the NCIF's unprecedented opportunity to revitalize the building trades and generate 460,000 high-quality jobs with a diverse, highly-skilled, community-based workforce. Our approach is informed by ongoing dialogue and partnership with unions, labor advocates, and workforce developers (as evidenced by our 12 letters of commitment in Appendix 1.2.5.3), our coalition members' direct experience in LIDAC workforce development, and the *Best Practices for Federal Funding Applications* from BlueGreen Alliance [*39*]. We have also received letters of commitment from the **International Association of Sheet Metal, Air, Rail and Transportation Workers** (SMART) and the **International Union of Painters and Allied Trades** (IUPAT), and we are working closely with the **Climate Jobs National Resource Center**. PFC's board member **Vincent Alvarez** (President of the AFL-CIO NYC Central Labor Council) will help us advance these partnerships and realize our workforce goals.

Labor strategy: PFC will seek to create high-quality jobs that are built on stable and predictable living wages (and, where applicable, prevailing wages), family-sustaining benefits, training and licensure requirements, skills training, and IRA apprenticeship requirements. Whenever possible, we will use Project Labor Agreements and Community Workforce Agreements to define these objectives, regularly review and report our progress according to our Community Accountability Plan, and integrate labor standards into our financial products.

We will meet these standards in the multifamily market, where prevailing wages will apply to all projects, and we will work to maximize union participation. Over time, we also will work to

increase these practices in the low-income single-family market. Projects built on standardized packages will be aggregated, bundled, and scheduled to create economies of scale that can sustain high-road labor practices. In union-dense geographies, we will create project bundles large enough (e.g., greater than $500,000) for union-affiliated contractors to bid. Within non-union-dense geographies, we will explore the use of Labor Peace Agreements to ensure long-term pathways for unionization and workers' rights to freely and fairly join a union and engage in collective bargaining. Our aggregation model can also support union expansion into non-unionized geographies via a predictable and high-volume flow of projects. By the end of the program, we plan to require all contractors participating in NCIF-funded projects to pay family-sustaining and wealth-building wages and benefits and, where possible, prevailing wages.

To further ensure quality installations within our contractor marketplace, we will incorporate and (if needed) subsidize participation in EPA's Verified HVAC Installation Program or other applicable quality assurance mechanisms. We will seek to maximize the number of workers on NCIF-funded projects who are trained graduates of registered apprenticeship programs (commensurate with those programs' capacity to scale) and ensure that all contractors on NCIF-funded projects have the appropriate licensure and permitting to conduct retrofits. We will also devote $45.5 million to expand private-sector training programs — delivered through equipment manufacturers, contractor associations, and workforce development organizations — to educate, equip, and upskill 70,000 technicians, including HVAC installers and energy auditors.

Equitable workforce strategy: PFC will pair its commitment to high labor standards with registered apprenticeship requirements and pre-apprenticeship funding, which will ensure a robust and inclusive workforce pipeline. To increase demand for apprentices, NCIF-funded residential projects will target IRA apprenticeship guidelines, with 15% of labor hours performed by registered apprentices and apprentice-to-journeyworker ratios aligned with Department of Labor or state apprenticeship agency requirements. We will commit $105 million to develop new/existing pre-apprenticeship programs and expand the geographic reach of apprenticeship programs, especially those targeting groups currently underrepresented in the building trades and displaced workers. When possible, we will fund these programs to provide wraparound support (childcare, transportation, etc.) and additional capacity-building services as described in section 1.2.5.2. We will also partner with unions to create "foothold" programs in geographies with low union density. In total, we predict this funding will enable us to enroll 30,000 individuals in (pre-)apprenticeship programs, and we will seek to fill these seats through trusted CBOs, proven models like LISC's Bridges to Career Opportunities initiative, and partnerships with existing networks like the **American Reinvestment Corporation** and the **Families and Workers Fund**, which support 150+ apprenticeship readiness programs nationwide.

Compliance with the Build America, Buy America Act and the Davis-Bacon and Related Acts: PFC's program will comply with the requirements of the Build America, Buy America Act and the Davis-Bacon and Related Acts (DBRA), including by identifying the activities that will be involved and the resources that will be required to execute against those activities. With respect to DBRA, we expect EPA to follow the precedent set by HUD and DOE of exempting single-family and small multifamily projects. That said, our program aims to meet prevailing wages in a growing number of these smaller properties over the period of performance. LISC also works closely with HUD's Davis-Bacon and Labor Standards office to update and revise applicable labor standards.

1.2.5.4 Coordination Plan

Coordination with existing financial and technical assistance resources is necessary to deliver upon our strategy, achieve affordability across market sectors, and maximize the impact of NCIF funding. Our coalition's unique partnerships and extensive local reach will enable us to identify, utilize, and leverage federal, Tribal, state, and local governments as well as non-governmental organizations for each of our partner communities, and to evolve our financial product offerings as existing resources evolve and new resources are developed. Meaningful coordination will also build long-term capacity within communities, beyond the period of performance.

Financial assistance coordination: Today, property owners face a dizzying and complex array of overlapping financial incentives, most of which were not designed to deliver the type of comprehensive housing decarbonization projects we aim to pursue in our program. This results in enormous logistical barriers and higher costs. To break this pattern, our groundbreaking Incentive API tool (already integrated by one SEO, with others in queue) will aggregate and sort all federal-to-local incentives for decarbonization so that building owners can efficiently leverage all existing forms of FA. This tool will help us right-size the amount of additional NCIF funding needed to catalyze each project.

For property owners, Rewiring America's Incentive API will enable users to intelligently braid together federal, state, local, and utility incentives in every partner community and across all market segments. This knowledge has already been used to inform the design of our financial products (e.g., the single-family equipment packages have been designed to maximize access to IRA rebates). For multifamily buildings, technical assistance providers will help building owners coordinate and leverage all available funding and financing mechanisms.

At the community level, as described in section 1.2.5.1, we will coordinate with CBOs, local governments, community foundations, and housing authorities to maximize resources focused on home remediation and repair, enabling us to overcome predevelopment issues and serve *all* households in LIDACs. These resources will include LIHEAP funding, HUD Lead Hazard Control Grants, Healthy Homes Demonstration Grants, and Healthy Homes Production Grants, USDA Single-Family Housing Repair Loans and Grants, state and local housing repair programs, utility programs, and corporate and philanthropic commitments. We will also work with local governments, public servants, community leaders, and utilities to ensure that we are coordinating across every available financial or technical resource.

At the federal and subnational levels, we will coordinate with the recipients of federal grants to fill financing gaps, build markets, and align long-term planning. Our coalition has dedicated staff with strong relationships across federal agencies (including HUD, EPA, DOE, USDA, and DOI) and Tribal, state, and local governments. These staff will work closely to ensure coordination across funding sources for affordable housing decarbonization and related activities. For example, we will work with SEOs to ensure that IRA rebate programs are designed to deliver maximum leverage to qualified projects that we will pursue with NCIF funding. We will also coordinate with the implementers and recipients of State and Tribal Energy Programs, Energy Efficiency Revolving Loan Funds, Climate Pollution Reduction Grants, Energy Efficiency and Conservation Block Grants, and Environmental and Climate Justice Block Grants.

Technical assistance coordination: As demonstrated throughout this application, the ability of local organizations, developers, property owners, design professionals, and installers to execute

high-quality, emissions-reducing projects is critical to the success of our program and to our market transformation goals. Our TA strategy (detailed in sections 1.2.5.1 and 1.2.5.2) aims to build this capacity in coordination with existing TA resources.

PFC coalition members' existing investment, TA, and grantmaking programs provide us a platform through which we can identify trusted, community-focused, high-impact TA providers, coordinate with those programs, and offer additional TA and funding to bridge gaps and drive awareness of our financial offerings. For example, Enterprise and LISC's long-standing work supporting implementation of LIHTC and NMTC — as well as their formal TA roles through HUD/DOE's Better Buildings Challenge and HUD's Section 4, Community Compass, and Distressed Cities programs — have been built on deep coordination with TA providers across the country. In addition to these existing relationships, we will coordinate with EPA's 16 Environmental Justice Thriving Communities TA Centers and their networks of over 160 partners across all 10 EPA regions.

Our implementation coordination will extend beyond TA to include workforce development. We will coordinate with all stakeholders involved in workforce development, including the federal government (through the American Climate Corps and DOL- and DOE-funded pre-apprenticeship and apprenticeship programs), state governments (e.g., through IRA State-Based Home Energy Efficiency Contractor Training Grants), unions, manufacturers, CBOs, and philanthropy. Where required, and as described in section 1.2.5.3, we will provide direct funding to and coordinate with established pre-apprenticeship, apprenticeship, and skills training programs. We will also coordinate with local partners to sustain local and targeted recruitment practices, ensuring that individuals in LIDACs have pathways to high-road jobs.

Lastly, as described in section 1.2.5.1, we will coordinate with CBOs and local housing and social services authorities to identify and serve households with remediation needs, and with state agencies to identify prime candidates for weatherization and electrification: (1) properties weatherized through WAP, and (2) households that received or will receive LIHEAP assistance.

Coordination across GGRF grantees: PFC and its coalition members have provided letters of support for three other NCIF applications, five letters for Clean Communities Investment Accelerator applications, and nine letters for Solar for All applications. We have also received three letters of support from other NCIF applicants for PFC's application and at least four letters of support from SFA applicants (in addition to the letters of support we've received from many organizations we expect to apply for SFA). Per these letters, we intend to coordinate with other GGRF grantees (including those with whom we have not yet engaged) to build project pipelines, maximize transaction opportunities, and achieve long-term market transformation. We believe that our market-focused approach — building and aggregating demand, reducing friction, and aligning incentives for supply chain actors, lenders, and consumers — will ultimately benefit and catalyze the work of all GGRF grantees. We are intentionally building our content, tools, and software on open-source platforms to encourage wide-scale adoption, coordination, and engagement by industry participants. We will provide these services directly and in partnership with green banks, other CDFIs, and community lenders to build infrastructure for the field. As described in section 1.2.5.2, we will also offer technical assistance to community lenders in coordination with CCIA grantees.

1.2.6 Investment Policies

As a grantee and pass-through entity for the purposes of 2 CFR Part 200 and the EPA Subaward Policy, PFC will be accountable to EPA for the proper financial management of NCIF grants deployed in the form of financial assistance. We will provide subawards to coalition member subrecipients to provide FA, including Enterprise Green Accelerator, Inc.; Habitat for Humanity International, Inc.; LISC Green LLC; and Rewiring Community Investment Fund, Inc. Corporate members' underwriting, credit approval, and portfolio monitoring policies and procedures are documented in their internal policies, which have been approved and implemented by their respective loan committees and boards. While we have developed a broad suite of products that subrecipients will employ, these entities will originate and administer FA subawards in accordance with their respective guidelines, and will provide FA to other community lenders that will originate PFC's standard products as well as their own. All FA that is provided by subrecipients and program partners is subject to overarching PFC criteria and oversight.

Portfolio-level programmatic guidelines: We have developed portfolio-level guidelines derived from our allocation principles, which are attached as Exhibit B:

- We will target a minimum of 75% of FA to be for the benefit of LIDACs.
- We will target spending $53 per metric ton of CO_2e emissions reduction, calculated on a portfolio basis and inclusive of direct benefits from FA and market transformation benefits. The allocation model also incorporates the various health and economic co-benefits of household decarbonization and resilience measures.
- We will consider housing affordability protection as part of the underwriting process for all multifamily and single-family residential FA, with prioritization for projects that maintain the affordability of the existing affordable housing stock (through deed restrictions, financial covenants, etc.) or add new affordable housing units.

Our allocation strategy will be driven by the following principles that are designed to work in creative tension and balance with one another:

- Maximize the number of low-income households reached with NCIF dollars.
- Maximize the total GHG emissions reduced and avoided.
- Maximize the number of applicable electrification and decarbonization measures installed in each project, and ensure a balanced portfolio of distributed energy, building decarbonization, and EV readiness measures.
- Maintain a focus on investments that will transform the market, mobilize and leverage other sources of capital, build the field of participating financial institutions and outlets, and increase the efficiency and leverage of NCIF dollars over time.
- Invest across the full spectrum of housing, overcoming barriers related to geography, local climate funding, regulation, and overall infrastructure, to ensure funding reaches communities and households with the greatest need, even if they require greater FA.

Portfolio-level risk management requirements: We have developed portfolio-level concentration covenants to mitigate risk, as measured on a year-end basis:

- No more than 25% of PFC's aggregate FA allocation outstanding in any single EPA region.
- No more than 10% of an individual subrecipient's FA allocation lent to a single developer.
- No more than 5% of an individual subrecipient's FA allocation lent to a single project.

Transaction-level screening and selection requirements: We will require that FA subrecipients integrate financial and program-specific factors into their transaction-level investment screening and selection process. We have developed an Impact Rating Tool (IRT) that each coalition member will utilize in the screening, prioritizing, and reporting of projects. The IRT decision framework will be an integral element of the Cube model for assessing loan eligibility and impact. Based on the Impact Management Project's framework [*40*], the IRT will operationalize our allocation principles for transaction-level screening of financial and program-specific factors, allocation priorities, and reporting.

Customized for different market segments, the IRT will be employed in the evaluation of each loan applicant by assigning a numeric score to each loan along the five dimensions. The tool will leverage existing quantitative data and qualitative information that will be collected during the underwriting process, including indicators that align with broader industry standards, including those set by Global Impact Investing Network's IRIS+ System, Aeris' Community Investing Impact Data Set, the CDFI Fund, and other federal regulators. The tool will act as an evaluation framework for the Cube by incorporating analysis modeled on the National Renewable Energy Laboratory's (NREL) ResStock End-Use Savings Shapes dataset, EPA's National Emissions Inventory, EIA's State Energy Data System, and other tools and data sources.

The IRT will help determine threshold project eligibility based on the EPA's definition of a qualified project. Each project will be screened for all six requirements: (1) reduction or avoidance of greenhouse gas emissions; (2) reduction or avoidance of other air pollutant emissions; (3) minimum of one of the four categories of additional benefits in the form of clean energy and energy efficiency, clean transportation, affordable and sustainable housing, and training and workforce development; (4) additionality of the financing's impact; (5) private capital mobilization; and (6) support limited to commercial technologies.

The IRT will then be used to score projects across a variety of indicators based on alignment with our program investment objectives. Prioritized indicators will be weighed more heavily than others, with greater emphasis placed on GHG emissions reduction potential; housing affordability impacts; location in underserved geographies, in particular, rural, Tribal, and LIDACs; and in the case of multifamily projects, smaller SMMF properties less able to support higher debt burdens. We will use the IRT to prioritize and report on portfolio-level impact, as well as to compare the impact of a proposed transaction to a benchmark of similar transactions in our portfolio. The IRT will be used to generate reporting dashboards to evaluate our program against portfolio-level allocation targets, with criteria tailored to the loan product and market.

Sample IRT Methodology

What: What outcome does our financing contribute to?	
Environmental Benefits	• Does the project meet an efficiency standard in line with the EPA's goals to reduce scope 1 and 2 GHG emissions, and move to Net Zero? • Does the project contribute to occupant health and safety? Climate-resilient strategies? Environmental stewardship in communities?
Service Expansion	• Does the project contribute to other types of benefits like community service elements outside of stated GGRF goals?
Community Influence	• Was the project designed/programmed with the input and influence from the community of where the investment is being made?

Community Access	• Is the project located in an area within access to quality community features or expands access to quality features? • Does the project incorporate walkability or bikeability? • Does the project expand access to clean transportation?
Market Building	• Does the project contribute to market-building activities?
Who: Who will benefit from the investment?	
Borrower	• Are we providing financing to a mission-aligned partner? • Does the partner provide quality jobs?
Beneficiary	• Will the project provide financial assistance to LIDACs?
Workforce	• Does the project support training and workforce development?
Contribution: Could the project occur without us?	
Catalytic Capital	• Does our financing induce or arrange additional public/private capital? • Did we provide technical assistance to the borrower/project? • Is our capital more favorable than other capital in the market? • Does the investment increase the capacity of the borrower to access traditional capital for future projects?
Risk: Are there mitigates of risk to people and planet associated with this project?	
Prgrm. Env. & Beneficiary Risk	• Is the project aligned with NCIF environmental, equity, and community goals?
Regulatory & Utility Risk	• Is the project in a location that has policies aligned with NCIF goals? • Have local, regional, or multi-state utilities planned for increases in electricity demand and/or decrease in gas?
How Much: To what extent will the project investment effectively make an impact?	
Depth & Scale of Impact	• What is the reduction & avoidance of GHGs & air pollutants? (sub-indicators for affordable housing, renewable energy, transportation)
Duration of Impact	• How long will benefits accrue to LIDACs, including asset lifetime? (sub-indicators for affordable housing, renewable energy, transportation)

Subrecipient reporting requirements: Subrecipient reporting requirements will be established in PFC's grant agreement terms and conditions. We will require quarterly and annual reporting, as detailed below, as well as a final report due within 90 days after the end of the period of performance, to be signed off by each subrecipient's CEO and CFO. Reporting requirements effective after the period of performance will be established pursuant to a closeout agreement.

Transactional reporting: Within 30 days after the end of each quarterly and annual reporting period, we will require subrecipients to provide standardized reports (following a PFC template) for their FA activities as well as those of any community lenders to which it has provided FA:

Category	Detail	Quarterly	Annual
Grant Expenditures	Program expenditures	X	X
	Closed transactions	X	X
	Current transaction pipeline	X	X
Environmental Outputs & Outcomes	Climate & air pollution benefits	X	X
	Equity & community benefits	X	X

	Market transformation benefits	X	X
Program Evaluation	Program evaluation		X
	Other evidence-building		X

Organizational reporting: Within 30 days after the end of each quarterly and annual reporting period, we will require each subrecipient to provide the following organizational reports:

Category	**Detail**	**Quarterly**	**Annual**
Organizational Financial Statements & Disclosures	Management discussion	X	X
	Consolidated financials	X	X
	Covenant compliance	X	X
	Scope 1, Scope 2 and (if relevant) Scope 3 emissions		X
	Exec & Board comp disclosure		X
	Other Board disclosures	X	X

Subrecipients may also be requested to provide case studies on a quarterly and annual basis to help facilitate broader market transformation. These case studies will be designed to demonstrate the market-wide opportunity for financial markets and institutions to finance housing decarbonization projects by showcasing market-wide demand for capital, highlighting the performance of financial products, and sharing best practices.

Allocation monitoring procedures: PFC's Chief Investment Officer and Chief Impact Officer will provide monitoring and oversight for portfolio performance and impact. The Chief Investment Officer will provide the Finance and Investment Review Committee of the Board with quarterly summaries of origination activity and portfolio performance. The Chief Investment Officer, jointly with the Chief Impact Officer, will provide semi-annual evaluations of allocation deployment and impact. These semi-annual allocation evaluations will compare actual versus projected deployment and impact for individual subrecipients. Based on these evaluations, the Chief Investment Officer and Chief Impact Officer may recommend changes in subrecipient allocations to the Finance and Investment Review Committee of the Board. The semi-annual evaluations will also be used to monitor compliance with portfolio-level programmatic and risk management requirements. Any material exceptions to these portfolio-level requirements must be approved by the Finance and Investment Review Committee and then the full Board. The Chief Investment Officer, the Chief Impact Officer, and the Finance and Investment Review Committee will review this investment policy at least annually for the purposes of amending, adding to, or deleting provisions as needs dictate.

1.3 Program Reporting

1.3.1 Reporting Plan

Our corporate members have a long record of success in tracking and reporting against environmental and social data based on agreements with public and private sector partners. Baked into this experience is the ability to balance complex operational and compliance demands of federal programs with reporting burdens placed on borrowers and end-beneficiaries, meeting the requirements set out in the NOFO and in 2 CFR § 200.329. We will use the Impact Rating Tool (IRT) on an ongoing basis to assess qualitative and quantitative metrics as part of our

deployment strategy. We will track quantitative metrics from Global Impact Investing Network's IRIS+ System, Aeris' Community Investing Impact Data Set, the CDFI Fund, and other federal regulators and peer institutions. Due to differences in the financing and development of projects in the single-family and multifamily market segments, we have developed separate project- and portfolio-level impact tracking methodologies that will be consolidated for reporting by PFC.

Project-level indicators include units of affordable housing created or preserved, AMI splits for units of housing financed, number of square feet of community facilities financed, battery generation and storage capacity, clean energy generated, number of projects and units built to a green building standard, number of transit-oriented projects, and projected energy bill savings.

Portfolio-level indicators include GHG and co-pollutant emissions reductions, demographics of developers financed, capital leveraged, geographic deployment, jobs created, tax revenues generated, and energy bill savings. The table below provides a sample of project-level indicators calculated on our target $7.5 billion FA allocation using existing portfolio assumptions.

Metric	Assumption	Impact
Distributed Energy Generation & Storage		
Storage Capacity (MWh)	$648 avg. dev cost/kWh	1,203
Generation Capacity (MW)	$5,391 avg. dev cost/kW	434
Clean Energy Generated (MWh)	$0.187 avg. dev cost/kWh	12,477,217
Net Zero Emissions Buildings: Community Facilities		
Floor Area - School (sq-ft)	30,000 sq-ft avg. size	6,537,782
Floor Area - Community Facility (sq-ft)	20,000 sq-ft avg. size	4,358,568
No. of People Served - School	450 students per school	98,205
No. of People Served - Community Facility	7,500 visits per facility	1,634,551
Net Zero Emissions Buildings: Housing		
Floor Area - Housing (sq-ft)	700 sq-ft avg. per unit	60,811,485
Segment & Income Level	**Single-family**	**Multifamily**
0-30% AMI	*650*	*13,031*
31-60% AMI	*59,304*	*21,718*
61-80% AMI	*173,363*	*43,437*
>80% AMI	*56,704*	*8,687*
Total Units Served	**290,022**	**86,874**
Zero Emissions Transportation		
EV Chargers Installed	4 housing units per charger	27,589

Evaluating impacts in the single-family market segment: Single-family project- and portfolio-level outcomes will be evaluated using the Cube. As part of our NCIF program plan, we will extend this model to more fully capture the variability in the housing stock and the effects of specific building upgrades. Our Cube model will learn from and be validated against a growing volume of qualified project data collected through our program — including machine costs, installation costs, energy bills, home, building characteristics, and household satisfaction — and will, over time, enable us to better project energy bill savings and emissions reductions for

individual homes. Further details of our approach to home characteristic and energy bill data collection is included in Exhibit C. These measurements will then be aggregated and reported back to participating communities and to EPA.

Evaluating impacts in the multifamily and commercial market segments: For multifamily and commercial projects, we will refine a protocol for calculating pre- and post-retrofit savings, while disseminating technical standards to ensure accuracy and consistency in initial energy audits, tracking energy use, costs, and emissions across technical assistance providers. These protocols will be incorporated into the IRT to guide underwriting assumptions regarding projected savings and for verifying compliance with both qualified project and priority project eligibility. We will work with building owners to enable on-site performance testing, energy models, and tracking of actual energy consumption to validate emissions reductions. This process is aligned with Enterprise's experience developing and administering the Enterprise Green Communities standard and would rely on organizational expertise to effectively provide resources to recipients of NCIF financing.

Evaluating impacts of market transformation benefits: Enterprise and LISC are thought-leaders when it comes to CDFI capitalization strategies and market transformation, and for example, have published a series of white papers entitled *CDFIs and the Capital Markets - Trends in Investment & Impact Management.* Furthermore, LISC and Enterprise are co-developing a book with the New York Federal Reserve on climate resilience and community development to be released in 2024. PFC can leverage these examples of case-study-based approaches to grow the field of climate and community investing.

Additionally, Enterprise and LISC committed to join the Partnership for Carbon Accounting Financials (PCAF) and to develop a methodology to measure and disclose GHG emissions associated with their CDFI portfolio of loans that touch multifamily, community, and commercial facilities. PCAF signatories work together to develop and implement the Global GHG Accounting and Reporting Standard for the Financial Industry. The PCAF Standard has been reviewed by the GHG Protocol and is currently managed by Guidehouse, a global consulting firm specializing in energy, sustainability, risk, and compliance for the financial industry. Measuring financed emissions is crucial for understanding the climate-related transition risks to a portfolio and it helps financial institutions set an emissions baseline, develop science-based targets, act to reduce their portfolio climate impact, and disclose progress. Joining PCAF is a key component of our coalition's strategy to integrate climate justice in our lending activity, demonstrating our commitment to GHG emissions reduction activity across our portfolio and to measure and disclose GHG emissions in line with required organizational disclosures.

1.3.2 Reporting Capacity

We intend to integrate data reporting as a priority requirement within our data processing infrastructure and PFC organizational structure. PFC's Lead Information Officer will be responsible for monitoring in real-time for potential program compliance or other issues across coalition partners. They will be supported by IT/Data Management and Grant Management functions and will also coordinate closely with the Chief Legal and Risk Officer, Head of Compliance, and Head of Enterprise Risk Management. As the coordinator across the subrecipient coalition members, PFC will develop standardized reporting tools, submission and QA schedules, and data governance policies. The Chief Impact Officer, in conjunction with the Head of Climate Impact and the Head of Community Impact, will develop systems for required

specialized output and outcome reporting, leveraging third-party contracts for emissions data and climate scenario analysis modeling services. Across these personnel, PFC will process the data, extract insights, and effectively communicate the program's localized effects to the EPA, other external stakeholders (including the public and the media), and our community partners. Reporting will include outputs and outcomes across a range of financial, social, and environmental metrics, as well as the ongoing performance and servicing of loans and other financial products, mirroring the required program performance reporting in the NOFO.

Corporate members and subrecipients will use their own CRM systems to manage accounting and portfolio information. They will be required to build data collection into their underwriting and monitoring processes, dashboards, and reporting formats to report on key performance indicators (KPIs) associated with the impact of investments. PFC will employ the customized Impact Rating Tool (IRT) to create a dashboard report on quarterly and annual impact which measures PFC's progress in meeting investment objectives and impact goals.

We will align with industry best practices when it comes to the design and implementation of impact management systems, leveraging existing frameworks like the Operating Principles for Impact Management [*41*] to meet the reporting needs (validation, verification, and assurance) of PFC and EPA. We will: (1) define strategic impact objectives; (2) manage strategic impact on a portfolio basis; (3) establish the contribution to the achievement of impact; (4) assess the expected impact of each investment; (5) assess, address, monitor, and manage potential negative impacts of each investment; (6) monitor the progress of each investment in achieving impact against expectations and respond appropriately; (7) conduct exits considering the effect on sustained impact; (8) review, document, and improve decisions and processes based on the achievement of impact and lessons learned; and (9) publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment. We will use the IRT to implement principles 1 through 8, and will facilitate an independent verification to assess the credibility of our impact practices through a review of documentation, data, policies, and procedures, in tandem with practitioner interviews and, to the extent possible, end-beneficiaries seen as critical to guide effective market transformation.

Our corporate members have the experience, skills, and resources necessary to conduct evaluations of programs adhering to guidance in EPA Order 1000.33, with high standards of relevance, rigor, objectivity, transparency, ethics, and equity. For example, LISC's Community Research and Impact team has in recent years conducted rigorous, quasi-experimental evaluations including some of the first research demonstrating the neighborhood-level impacts of a hospital-community partnership, the community-level effects of rural housing programs, and the impact of speculative finance on evictions and the benefits of affordable housing investments in communities of color. Enterprise has conducted rigorous research including a multi-site, multi-year study of the effects of ventilation on indoor air pollutants in affordable housing, eviction outcomes in Colorado, and developed new ways of tracing investor ownership.

Our subrecipients will also be required to adhere to the highest standards of data management. For example, investment data will be rigorously validated on an ongoing basis and through standardized annual review processes.

Reporting data and technology**:** We will use the IRT to report consolidated metrics for all subrecipient FA activity across single-family, multifamily, and commercial projects, but we will

necessarily employ different tools and energy data providers for these market segments. For the multifamily and commercial segment, we will work with borrowers and technical assistance recipients to utilize a single online energy benchmarking platform, such as Energy Star Portfolio Manager, where feasible. This standardization will enable energy use, emissions, and cost performance to be tracked in a consistent manner, as described in section 1.3.1. For the single-family segment, we will leverage the Cube which is built on Google Cloud Platform (GCP) and can store and process large amounts of data. Rewiring America's main data processing vendor is Databricks, a company founded by the creators of Spark, the industry standard for large data processing. Databricks and Spark are used to receive input data from various sources, schedule and chain together large computational jobs to process the data, and write the data out for other uses. Databricks and GCP can natively integrate with various Business Intelligence (BI) tools for reporting to our community partners or others, and with the IRT. We will collect household characteristics and user preferences, and household energy data from energy data providers, such as **UtilityAPI**, **Arcadia**, or **Uplight**, all of whom have provided letters of commitment for our program (see Appendix 1.2.4.3). All relevant data will be securely stored in the Cube's data storage system, built on the previously mentioned platforms.

***Third-party validation*:** PFC subrecipients have engaged in third-party validation of impacts, some of which were required through awards from the Corporation for National and Community Service (CNCS) Social Innovation Fund, which had an emphasis on rigorous evaluations of program results to improve accountability and transparency. One example is a quasi-experimental design impact evaluation performed by Abt Associates on LISC's CNCS-funded Bridges to Career Opportunities program. Subrecipients also have experience with designing competitive procurement processes as outlined in the competitive procurement requirements in 2 CFR Parts 200 and 1500 as well as EPA's 40 CFR Part 33 Disadvantaged Business Enterprise participation rule as part of these evaluations.

Examples of third-party validation we may employ to assess both the economic and social impacts of NCIF funding in LIDACs include analysis/evaluations of: low-cost energy retrofit strategies to combat energy poverty; cost-savings across single and multifamily housing; environmental impacts of conventional versus net-zero multifamily housing; job creation within and from LIDACs; outreach strategies to encourage decarbonization; health impacts based on GHG reductions achieved; consumer appliance use patterns pre- and post-decarbonization; self-reported health status pre- and post-decarbonization; and validation of durable shifts in the affordable housing sector to ensure long-term impact. A more detailed validation strategy will be developed post-award in consultation with community and national stakeholders, including EPA.

1.3.3 Past Performance and Reporting History

As a newly created, jointly-governed entity supported by its coalition member subrecipients, PFC does not have any past performance of its own to report. PFC's coalition members have extensive experience successfully managing compliance and reporting on federally and non-federally funded assistance agreements. Collectively, we have administered over 4,000 federal awards totaling $4.27 billion in the last 10 years. We have a lengthy track record of providing reporting and performance-based data to funders to satisfy grant requirements. LISC, Enterprise, and Habitat have worked in partnership in the HUD Section 4 program, and successfully completed and managed all agreements, including reporting requirements, on pass-through grants, loans, and technical assistance.

1.4 Program Budget

1.4.1 Expenditure and Disbursement of Awarded Funds

The Chief Investment Officer will provide the Finance and Investment Review Committee of the Board with quarterly summaries of expenditures. Per our allocation principles, management will prepare and present to the Financial and Investment Review Committee of the Board a semi-annual evaluation of actual versus projected expenditures as well as of impact for individual subrecipients. Based on these evaluations, the Chief Investment Officer and Chief Impact Officer may recommend changes in subrecipient allocations to the Finance and Investment Review Committee of the Board.

1.4.2 Budget Description and Table

Per our allocation principles, we have maximized the share of our requested $9.5 billion in NCIF funds used for FA, with a target of 80%. We believe that a 20% allocation for market building, predevelopment, and program administration is reasonable to accomplish our ambitious market transformation program plan. Per our allocation principles, we are also targeting a minimum investment of 75% of our FA in LIDACs. We estimate that 77% of our $9.5 billion grant is being spent in LIDACs, including 82% of FA, 90% of our market-building expenditures and 82% of our predevelopment funds. Relative shares of the eligible expenditures will vary by coalition member, depending on their role in the partnership. In the aggregate, our budget includes:

- $7.6 billion, or 79%, for FA products provided by four subrecipients.
- $1.1 billion, or 12%, for market-building services provided by all subrecipients.
- $285 million, or 3%, for predevelopment funding necessary to generate a pipeline of qualified projects provided by three recipients.
- $585 million, or 6%, for program administration for the five subrecipients and for PFC's centralized governance role.

Program administration for PFC totals $127 million, including direct costs of $116 million and indirect costs of $11 million based on the 10% de-minimis rate. Over the performance period, the plan includes a 4% average annual merit increase and a 3% inflation factor for other costs.

The single largest component is $103 million or 80%, for compensation, fringe, and recruitment of the 56 dedicated professionals described in section 2.2.2. The next largest component of program administration is $6 million associated with strategic and operational consulting, and legal and audit fees, all of which will be procured in accordance with the EPA Subaward Policy. Significant consulting costs are primarily associated with standing up an operating model, data infrastructure, governance, and the collection portal associated with necessary financial and impact grant reporting for PFC, subrecipients, and program partners. The budget includes $4 million associated with employee travel, training, and conferences, and the remaining $2 million is a combination of smaller items, including startup equipment and furniture, supplies and shipping, etc. Indirect costs are primarily associated with IT and infrastructure support ($6 million), rent ($3 million), and insurance ($1 million). All expenditures will comply with relevant government policies and the grant's terms and conditions.

As described in 1.2.2.3 above, we expect the market building and predevelopment expense to generate outsized returns by catalyzing ongoing decarbonization in the broader market.

2 Organizational Plan

PFC's organizational plan is designed to ensure that our organization, subrecipients, and program partners can efficiently, effectively, and equitably advance NCIF's three program objectives of: (1) reducing emissions of GHG and other air pollutants; (2) delivering benefits to American communities, particularly LIDACs; and (3) mobilizing financing and private capital.

2.1 Organizational Background and Track Record

2.1.1 Description of Business

Power Forward Communities, Inc. (PFC) is a Delaware nonstock nonprofit corporation with members. PFC has filed an application for tax-exempt status under section 501c3 of the Internal Revenue Code. PFC corporate members are Enterprise Community Partners, Inc. (Enterprise), Rewiring America, Inc. (Rewiring America, together with Enterprise, the Founding Members), Habitat for Humanity International, Inc. (Habitat), Local Initiatives Support Corporation and Affiliates (LISC), and United Way Worldwide and Subsidiaries (United Way, together with Habitat and LISC, the Corporate Members and together with the Founding Members, the Members). Each of the coalition members is a nonprofit corporation that is qualified as a charitable organization under section 501(c)(3), with Rewiring America's application for tax-exempt status pending with the IRS.

PFC represents a commitment by the five partnering organizations to establish a new centralized, long-term financial institution capable of deploying capital at scale in low-income communities to meet both the U.S. climate goals and the Administration's Justice40 goals. Each coalition member contributes core capacities essential to the execution of the program plan and investment objectives. To ensure high-quality execution alongside other business activities, Enterprise, LISC, and Rewiring America have created wholly owned or controlled affiliates to serve as subrecipients and implement the program (Enterprise Green Accelerator, Inc., LISC Green LLC, and Rewiring Community Investment Fund, Inc.). Habitat and United Way's community engagement and market-building activities are complementary and supported by their core operations, and they will serve directly as subrecipients.

2.1.2 Organizational and Government Documents

As a demonstration of our organizational alignment with GGRF NCIF objectives, we have attached PFC's Certified Certificate of Incorporation, name change documentation, and bylaws as Appendix 2.1.2.

2.1.3 Organizational Experience

As noted in section 1.1, we cannot meet our climate goals without an intentional focus on housing decarbonization. The five national organizations joining forces to create Power Forward Communities bring unique professional expertise in affordable housing finance; an extensive track record of investment in low-income communities; technical capacity and leadership on green resilience and sustainability; and unparalleled reach, with boots-on-the-ground across the country through hundreds of local staff and over 2,000 local affiliates/chapters.

Affordable housing finance: Our coalition members have invested $100 billion in affordable housing, health, environmental, and economic development initiatives over the past four-plus decades. As national leaders in the affordable multifamily housing industry, Enterprise and LISC help communities create and preserve safe, healthy, and affordable homes that revitalize and

stabilize low-wealth neighborhoods and benefit individuals and families living on low incomes. Enterprise's financing activities are carried out by its capital division, which provides investment across the full range of capital products — tax credits, debt, and equity — investing $64 billion since 1982 to create or preserve 951,000 homes. Within the capital division sits Enterprise Community Loan Fund, a leading, S&P investment grade 'A+' rated CDFI that complements Enterprise's tax credit and equity investing by providing critical and flexibly designed early-stage and customized loans for projects and borrowers underserved by traditional investors.

LISC and LISC's affiliates (National Equity Fund, New Market Support Company, and LISC Fund Management) have mobilized corporate, philanthropic, public, and private capital from local and national sources to provide tax credit, debt, and equity financing totaling over $30 billion for affordable housing, health, education, community, and recreational facilities since 1979. These investments have helped finance 490,000 affordable homes and apartments and 81.5 million square feet of commercial, retail, and community space. LISC also has an investment-grade rating, with an 'AA-' rating from S&P, and has raised over $267 million through the public debt markets, including through retail investors.

Rounding out this financial expertise and experience is Habitat, which since 1976 has been building and financing new or newly refurbished homes for low-income families, using a low- or no-interest mortgage sized so that monthly payments do not exceed 30% of household income. Through its CDFI affiliate, Habitat Mortgage Solutions, Habitat is able to lend to and partner with more than 1,000 Habitat affiliates across the country, addressing income inequality and racial economic disparities through the creation of homeownership opportunities. Habitat has provided $200 million in loans with a 100% repayment record to help build over 12,000 new homes for 50,000 low-income individuals, the majority of whom are Black or Hispanic.

Decarbonization and green building sector expertise: Coalition members also have the deep expertise in green building and green financing required to scale investment. Rewiring America brings extensive technology resources and building electrification expertise that will reduce friction and streamline development and financing processes. Enterprise is a national leader in climate risk reduction, resilience, and green building for the affordable housing sector, having developed, disseminated, and advocated for Enterprise Green Communities, the first and only national green and sustainable multifamily affordable housing building standard. Enterprise's multipronged Building Resilient Futures initiative builds and refurbishes homes to be sustainable, climate-resilient, and affordable and better equips communities with resources to withstand and recover from natural disasters. Since 2021, Enterprise has hosted over a dozen Regional Residential Resilience Academies that engage and train affordable housing providers, content experts, and local stakeholders on addressing the unique climate hazards of their region. Sessions address specific regions and risks (flooding, heat, wildfires) and support learning cohorts of 15-20 affordable housing operators, with multiple sessions open to the community.

Habitat works with affiliates to assess exposure to climate risks, support climate adaptation and resilience strategies, develop responses, and mobilize funding in order to create healthy and energy-efficient homes that can yield up to 25% savings on utility bills. Habitat launched the Habitat Strong program in 2016 to promote the building of homes that are more durable, resilient, and physically strong in communities at risk of natural disaster. Habitat Strong educates and embeds best practices in risk reduction concepts to protect families against future disasters.

Habitat's green practices are also demonstrated through a focus on the circular economy through Habitat ReStores, independently owned reuse stores operated by local affiliates.

LISC is deepening its investment in climate resiliency and green projects through its Equitable Green Futures strategic initiative and activities that include equitable disaster response and recovery partnerships with HUD, connecting low-income and BIPOC workers and small businesses with jobs in the green economy through its Bridges to Career Opportunities program, and financing the development of green infrastructure, including providing $386 million in financing to over 250 projects incorporating green building standards, energy-efficient features and renewable energy.

Rewiring America's building decarbonization expertise and sophisticated technology platforms are motivating action, helping individuals and institutions better understand challenges and solutions, and removing barriers and friction to enable a national market transformation. For example, Rewiring America elevated building electrification as a climate strategy during the federal policy discussions in 2020 which ultimately led to tens of billions of dollars in direct rebates and other incentives in the Inflation Reduction Act (IRA) for low- and moderate-income households to install new electric appliances. Rewiring America publishes the Pace of Progress, an annual report that maps the current state of the market against what needs to be true to meet our national emissions reduction goals. Rewiring America has built its cost-benefit and decision engine, "the Cube," which employs machine learning and advanced analytics to conduct detailed economic and emissions estimates for households and communities. The Cube is integrated into a growing suite of consumer products, including an IRA savings calculator (which has been used by over 600,000 people to generate a customized view of their IRA rebate and tax credit eligibility), the Incentive API, and the Household and Community Electrification Planner tools discussed in our program plan. Rewiring America secured a $5 million grant from Google.org to invest in development of the Cube, which will be further supported by more than 10 full-time Google employees as part of the Google Fellowship program. This technology toolkit will continue to evolve during the NCIF period of performance to deliver efficient and effective market transformation.

Community reach: Our coalition's reach in communities is both deep and broad. Enterprise and LISC have hundreds of program and lending staff in local and regional offices throughout the nation. Habitat and United Way are member-based organizations, each with over a thousand affiliates. Habitat's work is largely done through more than 1,200 Habitat affiliates that are independent, locally-run, community-level nonprofit organizations that provide affordable homeownership real estate development, mortgage financing and servicing, and technical assistance on behalf of families across the country, many operating in persistent poverty counties. United Way has nearly 1,100 local chapters serving all 50 states. Its network includes 22 staffed and three volunteer United Way State Associations that work on behalf of the local United Ways in their states, advocating for state-level policy change on key issues and providing technical assistance support. United Way also maintains an extensive partnership network with 29,000 grassroots community-based nonprofit organizations, 45,000 private companies, 1.4 million volunteers, and national and local Labor Agencies and Councils.

Rewiring America, meanwhile, has an extensive slate of government, corporate, and community relationships that build demand for building decarbonization within communities. More than 225 business leaders have joined its *CEOs for Electrification* initiative spanning 25 states and 10

industry sectors, while nearly 190 local community leaders across 125 communities have signed on to its *Local Government Leaders for Electrification* initiative. The strength of these initiatives is currently being harnessed in six demonstration pilots noted in section 1.2.1.1 that empower local communities and individual homeowners to take action on home decarbonization projects.

2.2 Governance and Management

2.2.1 Governance Plan

PFC's Governance Plan has been developed to ensure program oversight, monitoring, and comprehensive and high-quality stewardship of our organization's long-term success.

Board of Directors

The PFC Board of Directors is uniquely qualified to oversee our coalition's successful implementation and operationalization of the NCIF given their respective expertise, skills, and track record in emissions and air pollution reduction; clean technology investment and LIDAC investment; and financial markets and institutions. The Board brings a diversity of thought and experience to its governance, representing rural, Tribal, and LIDACs, including those with environmental justice concerns, energy communities, and persistent poverty, and the current Directors exceed our goal of more than 50% historically underrepresented communities (see section 2.3.2). PFC Board member resumes can be found in Required Appendix 2.2.1.

Our initial Board will consist of fifteen members. PFC's Bylaws provide that each of the Founding Members shall appoint two directors of the Board, and each of the Corporate Members will appoint one director. In addition, PFC's Nominating and Governance Committee will propose a slate of seven Board members consistent with the qualifications identified in the NOFO. The Founding Members will approve the slate which is then presented to the full Board for approval. For the first slate of seven Board members, the Founding Members will serve as the Nominating and Governance Committee. Board members will be appointed to a three-year term and be divided into three classes of directors so that terms are staggered. PFC's Chief Executive Officer will be an *ex-officio* board member with voting rights. The Board will elect the Chair and the Vice-Chair of the Board from the Founding Members' Board appointees. The Chair and the Vice-Chair will not be an appointee of the same Founding Member.

Governance Practices

PFC's corporate governance practices are guided by the following principles and objectives: (1) focus Board resources on oversight and monitoring of senior management and PFC's mission; (2) design Board meetings to determine and oversee strategic priorities while maintaining appropriate supervision through trusted delegations to Board committees; (3) promote a "culture of compliance" by setting an appropriate tone and fostering the organization's compliance culture; (4) promote a "culture of risk management" by setting the organization's risk appetite and tolerance and monitoring management's adherence to those appetites and tolerances; (5) promote transparency through information flow among committees to keep the full Board apprised of material activities and decisions being made; (6) maintain a Board structure that allows for diversity of views and characteristics, supports mutual respect and encourages honest and open debate; and (7) utilize training opportunities and Board self-assessment practices to continuously improve the effectiveness of directors to oversee PFC's management.

All new directors will receive a half-day orientation on the practices of PFC and the role of the Board, in order to provide an overview of the directors' fiduciary duties of care, loyalty, and

good faith. It will also cover PFC's vision, mission, and core values and provide an overview of the organization's operations and activities as well as its governance, risk, compliance, and other control infrastructures and processes. Thereafter, all directors will receive regular Board training to refresh them on their fiduciary duties and other relevant and timely topics and best practices important for their Board service and oversight obligations.

The Board will meet at least four times a year for at least four hours per meeting. The Board calendar includes an annual meeting and an extended annual retreat focused on strategic priority setting and evaluating progress toward long-term strategic objectives.

In addition to setting the organization's strategic objectives, the Board will be responsible for: (1) review and approval of the annual budget; (2) review and approval of new programs and initiatives and material changes to existing programs and initiatives; (3) annual evaluation of the CEO's performance and setting of their total compensation; (4) appointment of designated senior officers; (5) appointment of Board committee members and chairs, and review and approval of committee charters; and (6) hiring and firing of the CEO. The Corporate Secretary will be responsible for maintaining the corporate records including, but not limited to, the agendas, materials, and minutes of all Board and committee meetings. PFC will use a secure portal to disseminate and retain Board and committee materials.

PFC's Board has adopted a *Code of Conduct and Ethics*, a *Conflict of Interest Policy*, a *Whistleblower Policy*, and a *Record Retention Policy*, all of which are attached in Optional Appendix 2.2.1. All members of PFC's Board are "independent" as defined by PFC's Conflict of Interest Policy and consistent with Internal Revenue Service guidance.

Standing Committees

To effectively oversee PFC management, the Board will establish six standing committees as further described in the bylaws attached as Appendix 2.1.2; we also provide an organizational chart of Board committees as Optional Appendix 2.2.1. Each committee will operate pursuant to a Board approved charter that specifies its authority, duties, and responsibilities. Each committee will have at least three members (majority board members), of which one member will serve as the chair, and will meet at least four times annually in between Board meetings to conduct business. The Chair and the Vice-Chair will be *ex officio* members of all committees.

Executive Committee – which assists the Board in fulfilling its oversight responsibilities by addressing critical or time-sensitive issues that must be decided between Board meetings or that require in-depth deliberation. The Committee fulfills this role by: (1) acting on behalf of the Board between Board meetings in the manner prescribed by the bylaws and expressly delegated by the Board; (2) serving as a sounding board for the CEO; (3) advising on the agenda and materials for the Board's executive sessions and annual Board retreat; and (4) reporting any material Committee actions to the full Board in a timely fashion.

Audit Committee – assists the Board in fulfilling its oversight responsibilities of accounting and audit functions of PFC. The Committee fulfills its role by assisting the Board in its oversight of: (1) the accuracy, completeness, and overall integrity of PFC's financial statements; (2) the accounting and financial reporting processes of PFC; (3) the audits of PFC's financial statement; (4) the selection, independence, and performance of the independent auditors; (5) the performance of the internal audit function; and (6) the internal controls around financial

reporting and internal audit function. The Committee shall serve as an independent third-party point of communication between the PFC's independent auditors, internal audit function, senior management, and the Board. The independent auditors shall report directly to the Committee.

Finance and Investment Review Committee – which assists the Board in fulfilling its oversight responsibilities related to PFC's financial, investment, and credit performance. The Committee fulfills its role by: (1) monitoring PFC's financial condition and results of operation including the financial risk assessment; (2) developing portfolio-level benchmarks for programmatic goals aligned with PFC's allocation principles that will govern the activity of all subrecipients; (3) developing portfolio-level benchmarks for diversification and risk mitigation that will govern the activity of all subrecipients; (4) reviewing origination activity; (5) recommending to the Board for approval any material exceptions to the portfolio-level benchmarks; (6) monitoring portfolio performance; and (7) evaluating subaward allocations on a semi-annual basis, based on analysis prepared by PFC's Chief Investment Officer and Chief Impact Officer, and if necessary, recommending changes to the Board for approval.

Human Resources and Compensation Committee – which assists the Board in fulfilling its responsibilities relating to human capital matters. The Committee fulfills its purpose by: (1) overseeing the talent strategy; (2) overseeing the diversity, equity, and inclusion strategy; (3) overseeing the establishment of a fair and equitable compensation philosophy for executive and staff compensation programs; (4) overseeing the succession planning process to identify and prepare candidates for high-level management positions that become vacant due to retirement, resignation, death, or new business opportunities; and (5) reviewing and approving annually the compensation program (including benefit arrangements) for PFC's senior management.

Nominating and Governance Committee – which assists the Board in fulfilling its oversight responsibilities by recommending to the Board corporate governance principles for PFC. The Committee fulfills its purpose by: (1) identifying and vetting individuals qualified to become Board directors and annually recommending nominees to the Founding Members; (2) overseeing the process and approving the guidelines for the annual evaluation of the performance and effectiveness of the Board and its committees; (3) making recommendations on committee seat and chair assignments to the full Board (4) overseeing the program for orientation of new Board directors; and (5) overseeing the development of the annual Board training program and identifying and promoting other Board training opportunities.

Risk Management Committee – which assists the Board in fulfilling its oversight responsibilities related to the formulation and operation of a comprehensive risk management framework. The Committee fulfills its purpose by (1) overseeing the design and implementation of an enterprise risk management (ERM) program, encompassing PFC's financial risk management plan, which covers all relevant risk drivers — including climate-related financial risks — and risk categories, including credit, market, strategic, operational, liquidity and funding, and reputational risks; (2) overseeing the design and implementation of the legal and compliance risk management program; (3) ensuring compliance with all EPA reporting requirements; and (4) collaborating with the Lead Information Officer and Head of Cybersecurity on the design and implementation of the cybersecurity and data protection program and protection of personally identifiable information. The Chief Risk Officer will periodically report to the Committee on the design and effectiveness of the ERM program. Likewise, the Head of Compliance and Head of

Cybersecurity will each report at least annually to the Committee on the design and effectiveness of their respective programs.

Advisory Committees
To assist the Board in ensuring that PFC meets the needs of communities across the country, especially the needs of LIDACs, PFC will establish three advisory committees:

National Advisory Group: This committee will advise on communications with partners and advisors, reaching out to local, state, and federal partners, and refining strategic priorities. Meetings will primarily be conducted via conference calls initially held six times per year; ongoing needs will determine the frequency of conference calls thereafter. One in-person meeting per year may be held, budget permitting. Membership will include officials at the municipal, county and state level, including members of public service commissions, representatives of faith communities, labor leaders and CBO leaders, and industry advisors. Members will be nominated by partners, and participation will reflect the 10 EPA regions at all times. Members will serve renewable three-year terms.

Quad Legislative Advisory Group: This committee will advise on state and local activities that can bolster or burden climate progress (with specific focus on communities of color). The members will be drawn from the four state legislative caucuses supported by the National Council of State Legislators (Asian Pacific American, Black, Hispanic, and Native American). Meetings will primarily be conducted via conference calls initially held six times per year; ongoing needs will determine the frequency of conference calls thereafter. One in-person meeting per year may be held, budget permitting. Membership will include one appointee per caucus and advisory group members will serve renewable, three-year terms.

Participating Communities Council: This council will advise on the needs of partner communities by sharing information and best practices to ensure that community residents and stakeholders receive timely and pertinent information, operate as valued partners in decision-making, and provide critical feedback to inform any subsequent actions. Meetings will primarily be conducted via conference calls initially held six times per year; ongoing needs will determine the frequency of conference calls thereafter. Membership will be recommended by our community partners, and council members will serve renewable two-year terms.

2.2.2 Management Plan
PFC's Management Plan establishes the management and organizational structures, leadership roles and responsibilities, and management policies and procedures necessary to lead a high-impact, mission-driven organization and coordinate our coalition members and program partners for efficient and effective implementation of the NCIF program plan.

Organizational Structure
As the lead applicant on the NCIF, PFC's activities and operations primarily focus on subrecipients (i) receiving subawards to carry out the objectives of the GGRF and (ii) using grant funds consistent with all federal and program guidelines. Our management plan leverages a team of highly skilled senior professionals who have expertise that spans each element of our NCIF strategy and who have extensive experience implementing federal contracts. This team will include eight senior executives supported by 48 staff members. Attached in Required Appendix 2.2.2 is PFC's high-level organizational chart and senior management team resumes.

While initially building out PFC's business processes and control environment, key management positions will be filled on an interim basis by secondees from PFC's Founding Members, Rewiring America and Enterprise. PFC will begin to have permanent leadership hires in place by the end of Q2 2024. The permanent executive leaders will have comparable expertise, skills, backgrounds, and experience to lead PFC consistent with its mission, vision, and purpose. PFC's leadership tier will include the following positions and roles:

Chief Executive Officer (CEO) provides leadership for all aspects of PFC's operations and activities; serves as the public face of PFC and its mission; works closely with the Board to establish short-term objectives and long-range goals, and related strategic and operational plans; sets the tone for PFC's diversity, equity, and inclusion (DEI) practices and leads its culture of compliance and risk management; reports to the Board and directly supervises PFC's senior management team except the Chief Audit Officer. Tim Mayopoulos will serve as PFC's CEO. Tim is a highly respected financial services executive with extensive experience leading financial organizations, including serving as the CEO of Fannie Mae, a leader of single-family and multifamily housing finance.

1. Chief of Staff is a senior advisor to the CEO, offering insights and recommendations on critical decisions; managing special initiatives; overseeing communications and keeping the CEO apprised of all matters; reports to the CEO. Shevani Patel will serve as PFC's Chief of Staff, having executive management experience at Enterprise and extensive experience with government project and performance reporting.

Chief Operating Officer (COO) leads day-to-day operational functions of PFC; drives PFC's mission, vision, and objectives internally, along with the CEO; operationalizes short-term objectives and long-range goals; reports to the CEO; directly supervises PFC's human resources, information technology, data and program management. Drew Warshaw will serve as PFC's COO, having extensive experience leading Enterprise's day-to-day operational and administrative functions, as well as earlier senior management experience in renewable energy.

1. Lead Information Officer manages day-to-day operations of PFC's information technology and related systems; implements protocols to protect data, technology, and systems; reports to the COO.
2. Head of Cybersecurity is responsible for protecting PFC's digital assets from cyber threats; ensures the confidentiality, integrity, and availability of sensitive information; maintains a robust cybersecurity architecture; reports to the Lead Information Officer.
3. Head of Human Resources manages PFC's human resources function, including staff recruiting, hiring, training, and promotion; administers compensation, benefits, and leave programs; administers PFC's talent management and performance assessment program; handles employee disciplinary matters; reports to the COO.
4. Head of DEI is responsible for fostering a culture of belonging and equity; developing and implementing strategic DEI programs, policies, and practices; collaborating with the CEO and COO to advance diversity and promote equity through all operational aspects of PFC, including with partners and vendors; reports to the COO.
5. Head of Program Management is responsible for developing program management processes, tools, templates, and related policies and procedures; collaborates with the Investment and Impact teams on planning, designing, developing, implementing, and evaluating PFC's programs; reports to the COO.

Chief Engagement Officer (CEnO) manages PFC's strategic communications, community outreach as well as public and government relations; facilitates dialogue and engagement with communities where PFC has investments; oversees PFC's National Advisory Group, Participating Communities Council, and Quad Legislative Advisory Committee; directs PFC policy reports and recommendations. The CEnO reports to the CEO. PII will serve as PFC's CEnO, having deep experience fostering meaningful connections between large-scale organizations and multi-stakeholder constituencies to drive systemic change.

1. Head of Communications and Public Relations oversees the communications and public relations strategy; develops communications plans to promote PFC's investments and impacts; oversees social and media relations; reports to the CEnO.
2. Head of Community Engagement manages outreach and engagement with PFC communities; ensures coordination between PFC-level strategies and community-level activities; manages National Advisory Group and Participating Communities Council; prepares community-level investment and impact stories; reports to the CEnO.
3. Head of Government Affairs oversees executive, legislative, and intergovernmental outreach and relations; builds and maintains strong relationships with federal, Tribal, state, and local government officials and bodies; tracks relevant political and governmental developments that could influence PFC investments and impact; manages the Quad Legislative Advisory Committee; reports to the CEnO.

Chief Investment Officer (CIO) leads PFC's investment and credit functions; develops, implements, and communicates investment and credit strategies and related policies and procedures; supervises the investment and credit processes and establishes and enforces controls to ensure investment and credit policies are being followed and are consistent with the risk tolerance and appetites set by the Board; oversees PFC's allocation principles, decisions, and actions. Lori Chatman will serve as PFC's CIO, having extensive experience developing and managing the investment and credit activities at Enterprise. The CIO will also report to the Investment Committee.

1. Allocation Investment Managers are responsible for developing PFC allocation strategies by investment areas (e.g., single-family FA, multifamily FA); reviewing performance of subrecipient allocations; making recommendations to the CIO and Investment Committee about re-allocations per the allocation principles; collaborating with Engagement, Finance, and Impact teams to ensure that resources are distributed to maximize investment and impact; reports to CIO.

Chief Financial Officer (CFO) leads the financial operations of PFC; supervises budgeting, forecasting, accounting, and financial reporting; oversees adherence of financial reporting to all relevant legal, regulatory, and professional standards; oversees the Head of Accounting/ Reporting and Financial Controller; serves as management's primary contact with the independent auditors; reports periodically to the Board's Finance and Investment Review Committee and to the Board's Audit Committee. Bill Beckmann will serve as PFC's CFO, having extensive experience leading the finance functions and financial operations for large organizations including Enterprise.

1. Head of Accounting/Reporting is responsible for strategic aspects of PFC's finance function and financial operations, accounting, and financial reporting; establishes policies,

procedures, and systems to ensure accurate and timely accounting and financial reporting; supervises the preparation of budgets, forecasts, and long-term financial plans; reports to the CFO and oversees Treasury/AP staff.
2. Financial Controller is responsible for managing the day-to-day operations of PFC's financial activities and accounting, including accounts payable and receivable, payroll processing, budgeting, tax planning, and financial reporting; identifies and analyzes financial trends; oversees FP&A Systems staff and reports to the CFO.

Chief Impact Officer (CImO) is responsible for monitoring and measuring the climate, community, and economic impact of PFC's investments; conducts research and analysis of PFC's allocations in terms of impact and produces regular program evaluations and reports; applies analysis to inform the design of best-in-class strategies to enhance quality of life and economic opportunities in communities served; partners cross-functionally with the Investment and Engagement teams; makes recommendations as needed to the Board's Investment Committee. Dr. Cora Wyent will serve as PFC's CImO, bringing deep expertise as a data scientist and climate specialist.

1. Head of Climate Impact is responsible for overseeing PFC's environmental impacts; collaborates with internal and external stakeholders to assess PFC's investments to maximize impact; leverages impact analysis to advise on re-allocation strategies; reports to the CImO.
2. Head of Community Impact is responsible for driving PFC's community impacts; collaborates with internal and external stakeholders to assess the effectiveness of PFC's investments to maximize community decarbonization uptake; leverages impact analysis to advise on re-allocation strategies; reports to the CImO.
3. Head of Economic and Workforce Development is responsible for driving PFC's workforce development; collaborates with internal and external stakeholders to assess the growth and equity of the decarbonization workforce in communities served; leverages impact analysis to advise on strategies to expand and diversify labor; reports to CImO.

Chief Legal and Risk Officer (CLRO) leads PFC's legal, risk management, and compliance functions, serving as PFC's general counsel and managing all legal and regulatory matters; developing and implementing risk management and mitigation efforts; overseeing regulatory conditions and compliance behaviors; identifying and assessing risks that may impact PFC's strategic objectives; collaborates with the COO, reports to the CEO and reports regularly to the Board's Risk Management Committee to manage PFC's risk profile. Linda Manley will serve as PFC's CLRO, having extensive experience as the Chief Counsel at Enterprise and previously at New York State's affordable housing agency.

1. Head of Enterprise Risk Management is responsible for supervising the design and management of PFC's enterprise risk management ("ERM") program; establishing frameworks and processes to identify, monitor, and mitigate risks; reports to the CLRO and periodically reports to the Board's Risk Management Committee.
2. Head of Compliance is responsible for overseeing PFC's compliance with key regulations, standards, policies, and procedures; ensuring PFC conducts its operations legally, ethically, and in adherence to all relevant rules and standards; managing the day-to-day execution of the Compliance program; reports to the CLRO and periodically reports to the Board's Risk Management Committee.

Chief Audit Officer (CAO) leads PFC's internal audit function, supervising the preparation and execution of internal audit plans that are reviewed and approved by the Board's Audit Committee; develops and oversees the execution of the audit program; identifies and reports on control deficiencies and weaknesses, making recommendations for remediation and enhancements; reports on corrective actions for control deficiencies and weaknesses; reports administratively to the CEO and substantively to the Board's Audit Committee. PFC will name an independent CAO in 2024.

Organizational Culture

With our leadership's collective decades of experience building diverse entities and inclusive initiatives, PFC's leadership will foster a culture of diversity, equity, and inclusion within the organization, creating and maintaining an environment where every individual feels respected, valued, and empowered to contribute their best to the organization's success. To achieve this, executives will lead by example — maintaining a culture that champions inclusive practices and prioritizes equity in decision-making processes. They will actively seek diversity in PFC's staff, management, and Board, ensuring that underrepresented voices are heard and valued. Leadership will institute policies and training programs that promote awareness of unconscious bias, discrimination, and harassment, while also emphasizing the importance of integrity and ethical behavior in all aspects of the operations. Furthermore, leadership will establish clear reporting channels and support systems for employees to raise concerns to ensure that issues related to diversity, equity, and inclusion are promptly and appropriately addressed.

PFC's leadership will also establish and promote a culture of compliance, building an organization where compliance is not just a requirement but an integral part of the organization's identity and values, ensuring that all individuals operate ethically, responsibly, and with the highest standards of conduct. Leadership will set clear expectations and standards for ethical behavior, integrity, and adherence to all applicable laws and regulations as well as government and industry standards. Leadership will prioritize ongoing training and continuing education for all employees to ensure a deep understanding of compliance requirements and their role in upholding them. PFC will foster an environment where employees are encouraged to raise concerns and report potential compliance issues without fear of retaliation, and establish robust systems for monitoring, auditing, and enforcing compliance across all levels of the organization.

Management Policies and Procedures

PFC has effective management policies and procedures, including those specifying the duties of management versus the board; codes of conduct, including conflict of interest; and management succession plans, among others listed below.

Employee Code of Conduct: The Employee Code of Conduct (attached as Optional Appendix 2.2.2) establishes rules, standards, and principles outlining PFC's expectations from management-level staff. The Code of Conduct covers the following topics: (1) conflicts of interest; (2) corporate opportunities; (3) confidentiality/prohibition on misuse of material nonpublic information; (4) fair dealing; (5) protection of company assets; (6) compliance with legal and regulatory requirements; and (7) reporting illegal or unethical behavior.

Employee Handbook: The Employee Handbook (attached as Optional Appendix 2.2.2) provides a guide to PFC's policies and practices as well as an overview of the expectations of management. Our handbook covers the following topics: (1) recruiting and hiring; (2) equal

opportunity; (3) employment classification (full time, part time, exempt and non-exempt); (4) eligibility for employee benefits and overtime pay; (5) reasonable accommodations; (6) conduct, including maintaining a safe, open, respectful, and inclusive workplace; (7) safety policies, including related to weapons in the workplace; (8) time, attendance, and leave; (9) non-discrimination and anti-harassment; (10) disciplinary matters and termination; (11) travel and expense reimbursement; (12) use of company property, including cell phone, technology, and systems; (13) social media use; (14) drug and substance use and abuse; and (15) privacy policy.

Management Succession Plan: The Management Succession Plan specifies that the Board Nomination and Governance Committee will oversee CEO succession planning. PFC follows succession planning best practices, including (1) addressing succession planning early and with regularity; (2) ensuring the strategy and criteria for the next CEO is forward-looking; (3) including the CEO as an active participant in the succession planning process; (4) assuring the development of a robust succession pipeline; (5) thoughtfully and effectively assessing internal candidates; (6) engaging with internal candidates; and (7) incorporating external benchmarking.

Control environment/Board and management duties: As part of its management plan, PFC will establish a "three lines of defense" model for its operational and control environment. Under this model, the Board and senior management support each line of defense by establishing a robust tone at the top and reinforcing robust cultures of compliance, accountability, risk management, and ethics, including around business and operational processes, strategic planning, capital allocation, performance management, and compensation plans. The Lines of Defense model emphasizes accountability and transparency in operations and provides a structured approach to ensure that resource allocations are tied to the organization's strategy, subject to community oversight, monitored for risk management, and audited for performance.

- *First line of defense:* PFC's strategic business and operational leaders are responsible for implementing and supervising PFC staff and subrecipient adherence to processes around financial and risk management. PFC's leaders are also responsible for staff and member compliance with legal and regulatory requirements, as well as adherence to PFC's internal policies, procedures, and other controls. The Investment and Impact teams are responsible for aligning member resource allocation decisions with the PFC's overall mission and strategic priorities, and they work closely with member organizations and communities to optimize investment allocation. The Community Engagement team is also responsible for ensuring PFC's adherence to our Consumer Protection Plan and that no harm is done to the customers we serve. This first line also monitors the performance of investments and subrecipient activities against established performance metrics and contractual obligations. This involves regular reporting and feedback loops to ensure program effectiveness.
- *Second line of defense:* PFC's risk management and compliance approach is responsible for comprehensive risk assessments across programs, considering financial, operational, and compliance risks. This includes assessing risks associated with resource allocation decisions as well as impact outcomes, cybersecurity, and data privacy. The Legal and Risk Management team monitors adherence to regulatory and contractual requirements, including compliance with grant agreements, subrecipient contracts, and relevant laws and regulations. The CLRO will administer an annual risk control self-assessment (RCSA), which the first-line functions will perform and the CLRO will analyze and report to executive management and to the Board.

- *Third line of defense:* PFC's internal audit function independently assesses the effectiveness of PFC's controls, including those related to resource allocation, program performance, and compliance. The CAO will use the RCSA, among other inputs such as management interviews and review of various reporting, to inform an Annual Audit Plan, which will be conducted across PFC functions and the findings of which will be reported on to executive management and the Board. Findings and recommendations from internal audits will be used to drive continuous improvement in resource allocation processes, contract management, community engagement, risk management, and compliance. An independent external audit will complement this internal function.

2.3 Equitable Policies

2.3.1 Consumer Protection Plan

PFC's Consumer Protection Plan is designed to ensure and maintain consumer protections across all entities that interact, contract, or transact with a consumer through our programs. The plan defines how we will ensure business activities pertaining to our program comply with applicable state and federal consumer protection laws, avoid discrimination, and follow best practices.

Through our programs, we will underwrite loans on behalf of financial partners such as CDFIs and green banks to assist consumers in financing housing-related upgrades. The financial partners will offer such loans, which may, in certain circumstances, be secured by an appliance lien, directly to single-family homeowners and multifamily building owners or developers. PFC will not originate any loans, but will engage competent, qualified, and compliant financial services providers to extend loans to consumers. We will also work with other financial partners to facilitate grants and loans under the program and will require that agreements with financial partners include the obligation to comply with all applicable consumer protection laws, including but not limited to a variety of federal and state fair lending laws and regulations. The purpose of these laws is to ensure equal treatment among all credit applicants throughout the lending process — from credit requests, advertising, and application to loan or grant disbursement and ongoing servicing of the transaction — and to protect consumers from injury. We will require that agreements with financial partners include the obligation to comply with all applicable consumer protection laws. To the extent our business activities are subject to such consumer protection laws, we will leverage the compliance expertise of its financial partners to develop requisite controls, policies, and procedures for compliance. To the extent loans or other financial products or services are made available to small businesses under the program, we will ensure that the policies and procedures developed for consumer protection will extend to the business customers to the extent applicable under relevant laws and regulations (e.g., UDAP, Regulation B anti-discrimination provisions, FCRA, etc.).

PFC will adopt a policy of strict compliance with applicable consumer financial protection laws and ensure that appropriate terms and conditions appropriately flow down through subaward agreements, including all agreements with financial partners. This policy will focus on training, internal controls, engagements with third parties, and regular compliance reviews to ensure that: (1) consumers receive complete, accurate, and understandable information about any financial products and services offered through the program; (2) that the process of providing any covered financial products and services is fair and transparent; and (3) that program partners, financial partners, and other third parties are compliant with applicable consumer protection laws.

Compliance Plan

Federal Trade Commission Act, Consumer Financial Protection Act, Fair Debt Collection Practices Act: PFC financial partners will be required to perform a risk assessment prior to offering any loans, extensions of credit, or any other financial products and services to consumers. Financial partners will be required to review all product offerings for compliance with consumer protection laws and in particular, prevention of unfair, deceptive, and abusive acts or practices (UDAAPs) as enforced by the Consumer Financial Protection Bureau (CFPB), and unfair, deceptive, or abusive acts or practices (UDAPs) as enforced by the Federal Trade Commission (FTC), as well as any applicable state equivalent laws, and we will require compliance with applicable records maintenance and reporting requirements. We will also periodically conduct risk assessments of any consumer financial products and services offered through our program and contract terms in agreements with financial partners and other program partners. To the extent promotional marketing materials are used to advertise the financial products and services, such materials, and any other information used to solicit customers, will be reviewed for compliance with UDAAPs and UDAPs and any applicable state law equivalents.

PFC will require that any employees and program partners, including financial partners, involved in the consumer credit process complete trainings on: (1) UDAAP and UDAP and fair lending requirements under the FTC Act, Consumer Protection Act, Fair Debt Collection Practices Act, FTC Trade Regulation Rules, CFPB Policy Statements, and applicable state consumer protection laws; (2) best practices for fair lending; (3) internal controls to prevent discrimination; (4) monitoring transactions for UDAAPs and UDAPs; and (5) corrective actions to prevent same.

Truth in Lending Act and Regulation Z: PFC financial partners that extend credit to consumers will be required to be in compliance with the Truth in Lending Act (TILA) and Regulation Z. Consumers entering into a credit transaction will receive all required lender disclosures appropriate for the type of loan that they may receive, in the timeframe required for that disclosure, and, in all instances, prior to consummating the transaction. The consumer will also receive any more detailed state-specific disclosures as required. We will ensure that program partners comply with applicable advertising, marketing, and sales requirements and limitations with respect to any applicable credit offerings. To ensure that disclosure and marketing requirements flow down to subrecipients and financial partners, we will include applicable requirements in all subawards and subcontracts for credit services, and will reserve the right to audit subrecipient and partner compliance with these requirements.

Equal Credit Opportunity Act and Regulation B: PFC financial partners that extend credit as defined in Regulation B will be required to be in compliance with Equal Credit Opportunity Act (ECOA) and Regulation B antidiscrimination requirements. We will adopt measures to ensure antidiscrimination through a system of internal controls, adoption of an antidiscrimination policy, training on the antidiscrimination policy, and requirements to comply with the ECOA and Regulation B in all applicable subawards. We will regularly assess all financial product offerings to ensure that credit processes do not overtly discriminate, do not introduce disparities in the lending process, and do not have a disparate impact. We will look to our experienced financial partners for additional measures to ensure consumer protection and will periodically assess and implement more efficient and effective compliance measures via our financial partners. We will

require that financial partners ensure that persons seeking credit receive all required ECOA customer notices to ensure awareness of the prohibitions on discrimination in lending.

Customer Data Privacy: PFC will ensure compliance with all applicable requirements for obtaining, sharing, using, and maintaining customer data and will require compliance by all program partners and financial partners that collect or handle customer data, including the Fair Credit Reporting Act (FCRA), the Gramm-Leach-Bliley (GLB) Act, and state law equivalents. For example, we will require our financial partners to comply with the GLB Act and the implementing regulations (e.g., by satisfying consumer notice and opt-out requirements) in connection with financial products offered through the program.

PFC upholds rigorous consumer protection measures with respect to obtaining, safeguarding, and sharing customer data. Customer privacy and data security laws vary from state to state, in particular with respect to utility information and energy usage. We will leverage our experience complying with state consumer protection laws and industry best practices to determine whether a data sharing or access agreement is necessary to receive customer data in each jurisdiction in which we work, and determine whether PFC or a program partner is the appropriate entity to execute that agreement. Any program partner that interacts with a customer to collect customer data will be required to ensure that all requisite consents, notices, or permissions are obtained from the customer prior to collecting such data, and to safeguard data with the appropriate controls and cybersecurity protections.

Customer data privacy is further addressed in PFC's Legal and Compliance Risk Management, Lending and Credit Risk Management, Liquidity Risk Management, Cybersecurity Risk Management, and Operational Risk Management policies.

FCRA and Regulation V: PFC financial partners that require a "consumer report" as defined under the FCRA and Regulation V will be required to be in compliance with FCRA and Regulation B compliance requirements. We will ensure that data collection, security, and all notice requirements flow down in subawards and agreements with applicable third parties.

Process for Reviewing, Tracking, and Addressing Consumer Complaints:
PFC will engage competent financial services providers to develop robust compliance plans and processes for reviewing, tracking, and addressing consumer complaints, and will adopt the same measures as appropriate for our underwriting functions. We will conduct due diligence to ensure that all financial providers have mechanisms in place to understand applicable consumer protection laws, manage loan offerings to consumers in compliance with those laws, and understand our expectations regarding compliance. Any agreements with third-party service providers, including financial partners, will allow PFC to take prompt action to address any problems and to terminate the relationship if appropriate.

2.3.2 Equity Policies and Practices

PFC's Equity Policies and Practices have been developed to advance equity in three distinct dimensions: (1) equity in internal operations; (2) equity in relationships with business partners; and (3) equity in community and customer service.

Equity in Internal Operations. We recognize that diversity is a fundamental strength and equity is a fundamental right. This policy serves as a guide to ensure that our commitment to DEI is

reflected in all aspects of our business operations. As part of this plan, PFC will adopt policies to ensure that its internal operations are conducted in a fair and equitable manner, beginning with a voluntary goal of having, on balance and over time, 50% of its Board and senior management represent individuals from historically underrepresented communities, including, but not limited to, communities of color; members of religious minorities; members of the LGBTQI+ community; women and girls; persons with disabilities and chronic illnesses; and persons who live in rural, impoverished, and/or remote locations.

PFC will also set strict equal hiring and employment opportunity policies. These policies will, amongst other things, expressly prohibit any harassment or discrimination in all employment and business decisions on the basis of any protected characteristic, including but not limited to race, color, religion (including religious dress and grooming practices), sex, gender, gender identity, gender expression, genetic information, transgender status, marital status, registered domestic partner status, age, national origin or ancestry, physical or mental disability, medical condition (including genetic characteristics, cancer or a record of cancer), sexual orientation, pregnancy (including childbirth, breastfeeding, and/or related medical conditions), reproductive health decision-making, or military or veteran status.

During the search and recruitment phase, PFC will conduct broad outreach with long lead times in order to help reduce barriers to entry and increase the diversity of the candidate pool. Hiring decisions will be made based on qualifications, skills, and experience. The interview panels themselves will be diverse in terms of the backgrounds and roles of panelists, thereby ensuring that different perspectives are considered in the candidate evaluation and selection process. In addition to the mandatory bias training that all PFC employees will receive annually, panelists will also be trained in the methods of competency-based interviewing.

Toward that end, PFC will adopt competency-based hiring, which is grounded in the identification of core competencies required for success and the evaluation of each candidate's demonstration of those competencies in their past experiences. For each open position, PFC will create a competency-based profile to help anchor and guide the recruitment and hiring process. Based on the competency-based profile, PFC will actively seek diverse candidate pools for all job openings and implement strategies.

PFC will also maintain transparency in promotion criteria and processes to ensure fairness and equity, and promotions at PFC will be based on merit, performance, and potential for success as measured against the criteria. PFC will adopt a culture of evidence-based feedback and a practice of competency-based performance assessment and practices from day one. PFC will conduct annual analyses or hirings and promotions to ensure that we are meeting our diversity goals.

As stated above, all PFC Board members, managers, and employees will receive annual DEI training programs to educate them about the importance of diversity and inclusion in the workplace. In this context, all employees and managers will undergo mandatory unconscious bias training to raise awareness and mitigate unconscious bias in decision-making processes. PFC will strictly prohibit any form of harassment. And PFC will establish clear and confidential reporting mechanisms for employees to report incidents of discrimination, harassment, or bias, including but not limited to PFC’s Whistleblower Policy. All employees will be encouraged and supported to report any incidents of harassment promptly. PFC will expressly prohibit retaliation against any employee or business partner who makes a complaint or participates in any

investigation or proceeding concerning a complaint, and will appoint a designated compliance officer responsible for investigating all reported violations. Any clear violations of PFC's diversity policy will be subject to disciplinary action, up to and including termination.

Equity in business partnerships: PFC will adopt policies to ensure that it contracts with business partners who share its goals in promoting diversity and equity. Specifically, PFC will adopt policies requiring PFC to provide all prospective business partners with a copy of PFC's Diversity and Equity plan and related policies as well as request that they each voluntarily agree to comply with the principles of the policy.

PFC will also adopt policies to ensure that, whenever practicable, its coalition members and business partners reflect the communities it is serving, including businesses operated by local entrepreneurs, as well as those owned by historically underrepresented and diverse community members. To that end, PFC will, as practicable, require that its prospective business partners demonstrate to PFC how the business's ownership or leadership reflects the local community, what investments and/or efforts the business has taken to support the local community, and what plans the business has to continue supporting the community in the future (including potentially contracting with smaller diverse-owned and operated businesses). PFC will ensure diverse owned and operated businesses are made aware of partnership opportunities, and that its partnership opportunities are presented in a way that encourages participation by diverse businesses, through its local community governance model and on-site personnel (discussed in more depth below). PFC will also consider whether a coalition of diverse owned and operated businesses may collectively be considered for a partnership. And when selecting from a group of prospective business partners, PFC will include members of its on-site personnel in the decision-making process to ensure that the community has a say in what organizations it is being serviced by. Through the above-described policies and procedures (amongst others), PFC's policies will comply with the requirements of the Disadvantaged Business Enterprises Program, as set forth in 40 C.F.R. Part 33.

Equity in community investment: At the heart of PFC is the core belief that climate change has a greater impact on historically marginalized and diverse communities. As such, PFC will pursue and promote "equitable decarbonization" through its programmatic efforts in local communities. Equitable decarbonization is largely about reducing burdens and increasing benefits to the people who have historically borne more burdens and received less benefits relative to others. Decarbonization will be equitable to the extent that it (1) reduces cost and pollution burdens for disadvantaged communities and (2) ensures that disadvantaged communities receive proportionately more benefits from investments in clean energy technologies at the same or faster pace relative to more advantaged communities. To accomplish this, PFC recognizes that:

- Centering equity is both a moral and a pragmatic imperative.
- Some households and communities have more to gain from decarbonization than others.
- Vulnerable populations are more exposed to climate risks.
- Race is an inherent factor in environmental and climate injustice.
- Everyone enters the discussion from a different place, including marginalized communities.
- We must act urgently and take the time to build capacity for the long term.

PFC will ensure equitable decarbonization through its policies and principles as well as by creating a community engagement and accountability model that gives local communities voice

in the model through local community boards and national advisory boards. PFC and its partners will hold regular, open meetings with community leaders and activists to create and foster open dialogue channels. PFC will also be transparent in publishing information online so that community members can see the impacts of the organization's equitable decarbonization efforts.

By decarbonizing and increasing the resilience and affordability of homes, PFC will not only help limit the immediate climate impacts on LIDACs, but will also help: (1) protect them from extreme weather and grid outages; (2) improve health by removing exposure to harmful pollution; (3) boost prosperity by creating new jobs in communities; and (4) increase financial security by saving residents money through lower utility bills and low-interest loans. Thus, PFC's goal of decarbonizing housing goes hand-in-hand with its diversity and equity goals.

PFC is dedicated to creating an inclusive and equitable workplace and to embracing diversity as a source of strength and innovation in its internal operations and external services. We believe that by fostering an environment where all employees, partners, and customers can thrive, we will enhance our ability to deliver exceptional products and services that drive broad and deep systemic change. This plan represents a commitment to diversity, equity, and inclusion, and PFC will encourage all employees, partners, and stakeholders to support and uphold these principles in all their interactions. PFC's Head of DEI will oversee the execution of this plan and related policies, conducting ongoing assessment and improvement of DEI efforts.

2.4 Risk Management

2.4.1 Legal and Compliance Risk Management Plan

PFC's Legal and Compliance Risk Management Plan is a foundational element of our effort to administer NCIF funding and any other funds raised in a manner consistent with our legal, regulatory, and contractual obligations. We are committed to compliance with all applicable NCIF grant terms and conditions, the terms and conditions of any additional funds it raises, and to managing the broader legal and compliance risk related to our charitable mission. We will periodically review, update, and adapt all compliance policies as necessary. Our plan contains detailed legal compliance policies to account for all compliance requirements introduced by the NCIF Notice of Funding Opportunity and incorporates the requirements of 2 CFR § 200.302(b) Financial Management, 2 CFR § 200.303 Internal Controls), and, among others, 2 CFR § 200.332 Requirements for Pass-Through Entities.

We have designed a management structure, and we are building a leadership team of highly skilled senior professionals who will foster a corporate culture of compliance, accountability, risk management, and ethics. The Three Lines of Defense management control strategy set forth in section 2.2.2 will be used to operationalize our risk management plan. Our management team — and its performance against these commitments — will be overseen by the Board as detailed in the Governance Plan. The Board's robust committee structure, including a Risk Management Committee, enables the Board to be engaged in regular monitoring of the organization's activities to ensure compliance with its commitments and obligations.

Copies of PFC Legal Compliance Policies and Practices are attached in Appendix 2.4.1. In brief:

Legal and Compliance Risk Management Policy: PFC employs robust internal controls over Federal Awards to ensure it and its partners are in compliance with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal award pursuant to 2 CFR §

200.303 Internal Controls. The Legal and Compliance Risk Management Program is a comprehensive policy implementing the guidance in *Standards for Internal Control in the Federal Government* issued by the U.S. Comptroller General. PFC will regularly evaluate and monitor its legal compliance, and will take prompt action when instances of noncompliance are identified through audits or otherwise. PFC employs measures to safeguard protected personally identifiable information and other sensitive information. Additionally, this policy addresses multiple mitigation practices in the entity's approach to risk management.

<u>Grantee/Subawardee Code of Conduct</u>*:* Per 2 CFR § 200.318(c)(1), PFC maintains written standards of conduct covering conflicts of interest and other Federal award integrity policies. PFC will responsibly administer the NCIF grant by assessing factors that include grantee integrity, compliance with public policy, record(s) of past performance, and financial and technical resources when making subawards. Additionally, PFC will incorporate the practices of Appendix XII to 2 CFR Part 200's *Award Term and Condition for Recipient Integrity and Performance Matters* into its grant management practices.

<u>Pass-Through Entity Compliance Policy</u>*:* When acting as a pass-through entity, PFC commits to ensuring it meets the requirements, spirit, and intent of applicable law including 2 CFR § 200.332, its Federal awards, and any subaward to which it is a party. This policy incorporates the requirements of 2 CFR § 200.332 Requirements for Pass-Through Entities, 2 CFR § 200.333 Fixed Amount Subawards, and the EPA Subaward Policy's Fifteen Enumerated Conditions from Appendix B: National Term and Condition for Subawards. Additionally, under 2 CFR § 200.332(a)(2), as implemented in Items 2 and 4 of EPA's *Establishing and Managing Subawards* General Term and Condition, PFC will ensure that the terms and conditions of the grant agreement flow down to any coalition members that are provided subawards. When practicable, PFC uses the EPA template for subaward agreements from App. D of EPA's Subaward Policy.

<u>Subrecipient and Contractor Determinations Policy</u>*:* When PFC is a recipient or subrecipient pass-through entity, it must make case-by-case determinations of whether each agreement it makes for the disbursement of Federal program funds to the party receiving the funds casts that party in the role of a subrecipient or a contractor. PFC adopts 2 CFR 200.331's requirements for subrecipient and contractor determinations.

<u>Policy on Flow Down Contract Clauses and Flow Down Subaward Clauses</u>*:* This policy incorporates the requirements of 2 CFR § 200.327 Contract Provisions, which references Appendix II to CFR Part 200 – Contract Provisions for Non-Federal Entity Contracts Under Federal Awards, and EPA's *Information on Requirements that Pass-Through Entities must "Flow Down" to Subrecipients*, EPA (March 2023)

<u>Finance Policy</u>*:* The Finance Policy commits PFC to comply with 2 CFR Part 200, 2 CFR § 200.302(b) Financial Management, 2 CFR § 200.305(b)(4) Federal Payment, 2 CFR § 200.328 Financial Reporting, and the following Subparts: Subpart B General Provisions, 2 CFR §§ 200.100 – 200.113; Subpart E Cost Principles, 2 CFR §§ 200.400 – 200.476; and Subpart F Audit Requirements, 2 CFR §§ 200.500 – 200.521.

<u>Program Income Policy</u>*:* PFC understands program income means gross income earned by a grantee (or a subgrantee) that is directly generated by a supported activity or earned as a result of

the grant award. It further incorporates the requirements of 2 CFR § 200.307 Program Income, 2 CFR § 200.442 Fundraising and Investment Management Costs, and 2 CFR § 1500.8 Program Income. PFC will report the amount of program income earned during the period of performance through the quarterly Federal Financial Report, Standard Form 425.

Property Policy: PFC is committed to proper property accountability compliance policies and incorporates the requirements of 2 CFR § 200.310 Insurance Coverage, 2 CFR § 200.311 Real Property, 2 CFR § 200.312 Federally-Owned and Exempt Property, 2 CFR § 200.315 Intangible Property, and 2 CFR § 200.316 Property Trust Relationship.

Cost and Accounting Policy: PFC is committed to proper cost and accounting legal compliance practices. Its policy incorporates 2 CFR § 200.302(b) Financial Management; 2 CFR § 200.303 Internal Controls; 2 CFR § 200.308 Revision of Budget and Program Plans; 2 CFR § 200.344(b) Closeout Obligations; 2 CFR § 200.403 Factors Affecting Allowability of Costs; 2 CFR § 200.427 and 2 CFR § 200.447 (addressing costs for acquiring bonds or insurance required by the terms of the EPA grant award); 2 CFR § 200.404 Reasonable Costs; 2 CFR § 200.414 Indirect (F&A) Costs; 2 CFR § 200.456 Participant Support Costs; and Limits on Fees Charged by Individual Consultants from EPA's Fiscal Year 2009 Appropriation Act (Pub. L. 111-8).

Reporting Policy: PFC is committed to recording and reporting its activities per the requirements found in 2 CFR § 200.328 Financial Reporting, 2 CFR § 200.344 Closeout, 2 CFR § 200.329 Monitoring and Reporting Program Performance, and, among others, 2 CFR § 200.334 Retention Requirements for Records. PFC ensures it regularly generates the following financial and administrative reports through retaining its financial records: a Federal Financial Report; an annual "MBE/WBE Utilization Under Federal Grants and Cooperative Agreements" Report (EPA Form 5700-52A); and a Real Property Status Report.

Audit Policy: PFC's Audit Policy commits it to complying with 2 CFR Part 200 Subpart F's Audit Requirements, 2 CFR §§ 200.500 – 200.521. Per 2 CFR § 200.501(a), PFC obtains a single audit from an independent auditor when it expends $750,000 or more in total Federal funds in the grantee's fiscal year. It will make its audits public under the process described in 2 CFR § 200.512. PFC will submit the form SF-SAC and a Single Audit Report Package within nine months of the end of its fiscal year or 30 days after receiving the report from an independent auditor. PFC will submit its SF-SAC and a Single Audit Report Package using the Federal Audit Clearinghouse's Internet Data Entry System available at: https://facides.census.gov.

Anti-Kickback Policy: PFC is committed to complying with the Copeland "Anti-Kickback" Act, 40 U.S.C. § 3145. It has measures in place aimed at preventing each contractor or subrecipient from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled.

Gratuities/Gifts Policy: PFC is committed to ensuring its personnel comply with applicable prohibited gift and gratuity laws, and adopts the requirements of 2 CFR § 200.113 Mandatory Disclosures for all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting its Federal award.

Small Business Utilization Policy: PFC supports small businesses, including minority- and women-owned businesses. Accordingly, it commits to award subcontracts to small business

concerns to the fullest extent consistent with efficient contract performance and in compliance with 2 CFR 200.321, 40 CFR Part 33, and other applicable law.

Labor and Equitable Workforce Development Policy: In conjunction with the robust labor and workforce plans referenced in section 1.2.5.3, and the Labor and Equitable Workforce Letters of Commitment referenced in Appendix 1.2.5.3, PFC adopts the requirements found in the Davis-Bacon Act, 42 USC §§ 3141-3144, Section 314 of the Clean Air Act, 42 USC § 7614, and, among other related laws, *Nondiscrimination in Programs receiving Federal Assistance from the Environmental Protection Agency* from 40 CFR Part 5 and 40 CFR Part 7.

Restrictions on Lobbying Policy: PFC adopts and incorporates the requirements in 40 CFR Part 34 and 2 C.F.R. § 200.450 and will ensure that subawards in excess of $100,000 require that subrecipients submit certification and disclosure forms required by 40 CFR 34.110 and the "Lobbying and Litigation" Term and Condition. PFC will report lobbying activities with the Lobbying Activities SF-LLL from Grants.gov.

Domestic Preference and Build America, Buy America Policy: PFC shares the Administration's vision of an infrastructure that is built in America by America. While we understand that EPA's adoption of the Build America, Buy America (BABA) provisions of the Infrastructure Investment and Jobs Act (IIJA) is in flux, PFC is committed to compliance with P.L. 117-58, §§ 70911-70917 and 2 CFR § 200.322, Domestic preferences for procurements. PFC will mirror EPA's adoption/adaptation of 2 C.F.R. 200 Part 184, Buy America Preferences for Infrastructure and will flow down all applicable requirements to subrecipients and contractors, as appropriate.

Good Government Partner Policy: PFC is committed to being a good partner to the government, furthering U.S. Government policy related to the Clean Air Act & Clean Water Act, Protection of Whistleblowers under 2 C.F.R. § 200.300, and, among others, the Justice40 Initiative.

National Defense/Security & Cybersecurity Policy: PFC is committed to furthering the U.S. Government's national defense and security policies with its word under Federal awards. PFC implements policies to comply with Never Contract with the Enemy, P.L. 113-91, Section 889 of P.L. 115-232, and NIST SP 800-171 Guidelines for Protecting Sensitive Information.

2.4.2 Financial Risk Management Plan

PFC's Financial Risk Management Plan establishes a robust financial risk management framework to identify, assess, measure, and manage key financial risks, including climate-related financial risks. The framework achieves the following objectives:

- Maintain strict compliance with the terms and conditions of the NCIF grant agreement, all applicable laws and regulations, and any additional, relevant program policies, e.g., consumer protection, investment policy, and legal and compliance risk policies.
- Ensure NCIF grant proceeds are effectively deployed, fulfilling the investment objectives.
- Support a robust financial risk management culture, driven by Board and management oversight and supported by metrics and incentives that reinforce appropriate behaviors and reduce reputation risk.
- Establish a robust financial risk management program for identifying, assessing, measuring, and managing material financial-related risks, including: credit, liquidity, operational, cybersecurity, and climate risks.

- Ensure that PFC, its subrecipients, and any program partners that receive financial assistance from subrecipients originating any consumer loans adhere to a credit risk management plan that appropriately balances the provision of financing necessary to fulfill the PFC's mission with the responsibility of lending to consumers who are able to bear repayment obligations.
- Ensure that PFC maintains appropriate oversight of subrecipients and financial assistance program partners in carrying out the financial management of the grant.

Board responsibilities: As detailed above in section 2.2, PFC will be governed by a 15-member Board composed of individuals with expertise in emissions and air pollution reduction, clean technology financing, and investment in LIDACs. The Board has a direct oversight role regarding all decisions that impact the NCIF grant funds. The Board will review and approve final versions of the financial risk-related policies and procedures, as well as related risk policies, such as the Legal and Compliance Risk Management Policy, Investment Policy, and the Consumer Protection Policy. On at least an annual basis, the Board will review all such policies and revise them as necessary to ensure they are providing appropriate guidance to manage and mitigate risk. The Board will be responsible for ensuring that grant activities are being carried out in accordance with PFC's risk management procedures.

The Board will consider material climate-related financial risk exposures and opportunities as part of PFC's overall business strategy, risk appetite, and subaward allocations. The Board, through the Risk Management Committee, will address the potential impact of climate-related financial risk exposures on the PFC's financial condition, operations (including geographic locations), and business objectives over various time horizons. The Board, through the Finance Review and Investment Committee, will also require that financial assistance subrecipients utilize PFC's Impact Rating Tool — which incorporates climate-related risks in its scoring — in the screening, prioritizing, and reporting of loans.

The Finance and Investment Review Committee will assist the Board in fulfilling its financial risk management oversight responsibilities by: (1) monitoring PFC's financial condition and results of operations including the financial risk assessment; (2) developing portfolio-level benchmarks for programmatic goals aligned with PFC's allocation principles that will govern the activity of all subrecipients; (3) developing portfolio-level benchmarks for diversification and risk mitigation that will govern the activity of all subrecipients; (4) reviewing origination activity; (5) recommending to the Board for approval any material exceptions to the portfolio-level benchmarks; (6) monitoring portfolio performance; and (7) evaluating subaward allocations on a semi-annual basis, based on analysis prepared by PFC's Chief Investment Officer and Chief Impact Officer, and if necessary, recommending changes to the Board for approval.

The Risk Management Committee will assist the Board in fulfilling its oversight responsibilities with respect to risk management by: (1) providing an open and regular communication forum with the Board and management to discuss risk and risk management issues; (2) overseeing the design and implementation of the legal and compliance risk management program; (3) ensuring compliance with all EPA reporting requirements; and (4) collaborating with the Lead Information Officer and Head of Cybersecurity on the design and implementation of the cybersecurity and data protection program and protection of personally identifiable information.

Both the Finance and Investment Review Committee and the Risk Management Committee will meet at least quarterly and will report to the Board at least on a quarterly basis on their respective

activities and key performance indicators. They will also coordinate closely with each other and the Audit Committee given the interrelated nature of their governance responsibilities.

Management responsibilities: PFC management will be responsible for ensuring the effective implementation of the financial risk management plan and maintaining oversight of their respective staff on Legal and Risk, Financial, and Investment teams who will be expected to comply with the plan, the PFC grant's terms and conditions, and all applicable laws and regulations. Effective implementation by PFC management includes, among other things, regular monitoring of all PFC financial activity and risk management practices to ensure compliance, as well as regular reporting of such activity, on at least a quarterly basis to the Risk Management Committee. PFC management will put in place policies, procedures, monitoring, and reporting to ensure that the program partners and financial partners maintain consistent implementation. There will be dedicated staff focused on partner performance and to help ensure a robust risk management culture among partners, and training will be provided when needed.

With respect to lending, PFC will not be originating or managing loans directly. Subrecipients and program partners will be responsible for underwriting, closing, servicing, and monitoring all financial products, in accordance with their own internally approved policies and procedures, subject to PFC's portfolio-level programmatic and risk mitigation guidelines. PFC will require, through written agreements, that subrecipients and program partners comply with all the grant terms and conditions, applicable laws, regulations, and governing policies, including the Consumer Protection Policy, and the Legal and Compliance Risk Management Policy.

Financial risk management policies: Following is a brief summary of PFC's financial risk management policies, drafts of which are attached as Appendix 2.4.2. PFC owns each policy and will ensure that requirements are passed through to subrecipients and program partners:

Lending and Credit Risk Management Policy: This policy outlines guidelines and procedures governing marketing, origination, servicing, and collection activities related to the credit products offered through PFC's lending activities.

Liquidity Risk Management Policy: This policy seeks to ensure that PFC will have adequate and reasonably predictable liquidity to meet its financial obligations and perform the grant activities. The policy requires that the Board establish parameters for PFC's liquidity risk and suitable investment criteria; PFC's management will be required to actively monitor liquidity for compliance with such parameters. The policy requires that the grant funds be used in accordance with the NCIF grant terms and conditions and any other applicable laws and regulations. It also requires PFC to seek to diversify its sources of liquidity so that it may have alternative funds to rely upon to meet its financial obligations.

Operational Risk Management Policy: This policy seeks to ensure operational resilience in areas such as Information Technology, Information Management, and Human Resources; identification and mitigation of operational risks; accuracy of information used internally and reported externally; a competent and well-informed staff; and adherence to established rules and procedures, including the grant's terms and conditions. The policy also promotes risk awareness in PFC's culture — which PFC will flow down to its implementation partners — by, among other things, requiring that relevant directors, management, and staff are promptly informed about changes in relevant risk policies and by providing internal training programs on risk

management issues. In addition, this policy provides a comprehensive third-party risk management framework to identify, manage, mitigate, and respond to the risks involved in third-party and/or vendor service activities and protect the operational resilience of PFC.

Cybersecurity Risk Management Policy: This policy provides guidance for the implementation and maintenance of cybersecurity programs that enhance PFC's operational resilience and risk management. The policy provides that the Board is ultimately responsible for the cybersecurity program and ensures that cybersecurity is completely integrated with PFC's business functions, with senior management responsible for the implementation of the Board-approved cybersecurity policies. The Cybersecurity Risk Management Policy requires the creation of a Cybersecurity Risk Management System (CRMS) that provides for the assessment, measurement, mitigation, monitoring, and reporting of cybersecurity risks. The policy also requires notification to the Board of any material computer-security incidents involving PFC's systems, or the systems of any Program Partners, Financial Partners, or other third-party service providers.

2.5 Financials

2.5.1 Financial Statements

PFC and three of the subrecipients — Rewiring Community Investment Fund, Inc., Enterprise Green Accelerator, Inc., and LISC Green LLC — do not have any financial statements as they are newly formed entities. Each of these entities has no material liability or obligation, absolute or contingent (individually or in aggregate), no obligations under contracts made outside of the ordinary course of business, and no obligation that would be required to be reflected in financial statements under Generally Accepted Accounting Principles.

Audited financial statements for the past three completed fiscal years are attached for the other two subrecipients, Habitat for Humanity International, Inc. and United Way Worldwide and Subsidiaries. In addition, we have attached audited financial statements for the past three completed fiscal years for Enterprise Community Partners, Inc., which wholly controls Enterprise Green Accelerator, Inc., and Local Initiatives Support Corporation and Affiliates, which wholly controls LISC Green LLC. Rewiring America, Inc., which wholly controls Rewiring Community Investment Fund, Inc., is a newly formed entity.

2.5.2 Financial Projections

Financial projections for PFC and its five subrecipients for the seven-year period of performance are attached as Appendix 2.5.2. The projections assume that PFC employs $127 million in program administration and provides pass-through subawards totaling $9.415 billion to the five subrecipients. Subrecipients are projected to expend $1.856 billion in market building, predevelopment, and program administration, as detailed in section 1.4.2. Four of the five subrecipients are projected to provide $7.559 billion in financial assistance over the performance period, ramping up deployment relatively quickly in years 1-4, from 5% to 17%, and leveling off in the later years. We project deployment of 18% of FA grant funds in years 5 and 6, and 20% in year 7. In order to provide the low rates necessary in affordable housing projects and avoid excessive intermediary costs being built into end rates to borrowers, we assume an average interest rate of 0.5% for all FA provided by PFC subrecipients. This leaves open the flexibility for subrecipients to charge higher interest rates on directly financed projects, where appropriate and ultimately based on what is needed to productively deploy capital given market conditions, as discussed in section 1.2.4 above.

Principal repayments, reserves for loan losses, and loan loss rates are modeled based on individual subrecipient's financial products. A majority of each subrecipient's products, with the exception of Habitat's products, are long-term in nature, maturing after the period of performance. In addition, a majority of each subrecipient's products include a forgivable component, activated by losses incurred at the project-level. To reflect the projected losses for the full term of investment, we have assumed a 1% loss rate on debt outstanding during the period of performance for three of the subrecipients and higher loss rates based on forgiveness built into Habitat's shorter-term FA products. Expected future losses not incurred during the period of performance for the other three subrecipients are reflected in the provision for loan loss balances at the end of the period of compliance, ranging from 7% to 40%. This provision is based on the overall expected loss or forgiveness rate by subrecipient, less losses incurred during the period of performance.

At the end of the seven-year period of performance, these projections assume aggregate program income of $901.6 million, reflected as cash and cash equivalents, $6.36 billion in receivables, provision for loan losses totaling $1.13 billion, and a net asset position of $6.13 billion. Program Income includes $110.3 million in interest income and $791.3 million in principal repayments, over the seven-year performance period, and excludes projected origination fees and investment income on Program Income held as cash.

Given the longer-term investments made by most subrecipients, not all Program Income or losses on program investments will occur during the period of performance. As a result, projected post-performance Program Income is expected to be as follows: repayments of total receivables plus interest earned on these receivables, less losses on receivables. Losses are projected to equal the provision for loan losses balance at the end of the performance period of $1.13 billion.

Financial Projection Risks: The key sensitivities and risks to the assumptions include the capital deployment rate, the cost of projects deployed, the interest rate on deployed financial assistance, the loan forgiveness and loss assumptions and policy/regulatory risks. All key risks will be actively monitored by management and the relevant board committee.

<u>Deployment risk:</u> Particularly in the single-family sector, we are undertaking significant market transformation activity (as described in section 1.2.5). Should the transformation proceed more slowly than expected, our ability to deploy FA to qualified single-family projects may be limited or our capital mobilization ratio may be lower than expected. We have mitigated this risk in our modeling by assuming a more conservative deployment curve, particularly on single-family projects, relative to our expectations about what is possible with best execution. We have considered a number of further mitigants to capital mobilization being lower than expected, including (1) a focus on developing both direct project origination channels and as well as indirect channels via our community lender partnerships for deploying financial assistance and (2) our allocation principles (Exhibit B), which are structured to allow us to allocate greater amounts of NCIF funding toward channels that are overperforming against our impact metrics.

<u>Project cost risk:</u> Due to factors including inflation, inability to negotiate sufficient supplier discounts, inability to access federal, state, and local incentives (due to program expiry, program accessibility limitations, or otherwise), cost of compliance with DBRA and BABA, or other factors, the equipment packages we have defined may cost more to fulfill than is forecast. We propose to mitigate this risk in two ways: (1) substantial spending on highly-accretive market

transformation activities, including, for instance, the volume guarantee fund, in order to increase the probability that we are able to achieve volume discounts with suppliers and (2) forecasting higher project costs in the first few years of the program, when volume discounts may not yet have been fully negotiated and the benefits of scale not yet realized.

Inflation/Interest rate risk: We have presumed where relevant that the prevailing interest rate environment will continue for the indefinite future. This represents potential upside to impact projections in the instance that rates fall to recent historical levels. Should rates increase over our projection period, there is a risk that forgiveness levels assumed in multifamily projects may be higher than projected as property cash flows will be further strained. We have built flexibility in the terms of our products to mitigate this risk.

Loan forgiveness and loss risk: Due to factors including the macroeconomic environment, interest rate risk, and higher than expected energy costs (due to weather or unforeseen increases in household consumption), loan forgiveness and loss rates, particularly among consumer borrowers, may be higher than expected. We have considered a number of mitigants including structuring our market transformation work to minimize the borrowing burden on low-income households, including potential insurance offerings, and rigorous up-front underwriting of project-level energy cost savings.

Policy/regulatory risk: Our financial modeling includes a general presumption that current federal, state and local policy and regulatory regimes will persist. Detrimental changes to public funding levels for affordable housing and decarbonization-related incentive programs, or changes to electricity rate structures, may impact our realized outcomes. To mitigate this risk, we are focused on delivering market transformation to drive down overall decarbonization costs, and on ensuring effective deployment of NCIF investments, IRA rebates, and other government dollars that will prove these policies to be efficient, successful, and worth continuing.

Conclusion

There are thousands of DeSotos across America eager to power forward. Together, they hold enormous potential to reduce the 42% of energy-related GHG emissions tied to decisions we make about how we heat our air and water, cook our food, dry our clothes, and power our cars and lives. We cannot meet our climate goals without a focus on decarbonizing our housing. The IRA and GGRF enable that focus, making good on America's abundant community promise and spirit. That is why PFC came together. Our national strategy and local implementation approach, powered by NCIF, will catalyze a virtuous cycle of market transformation where equitable and sustainable decarbonization across housing types and geographies will continue after the program concludes. This market transformation will be built on a broad ecosystem of supply chain actors and capital providers, educated and motivated homeowners and building owners, well-trained and -paid workers, and dramatically lower costs that the market will sustain. **There is already overwhelming interest in our vision, with community and partner pledges to decarbonize more than 1.25 million housing units across the country.** There will be many more, all linked by a new and growing movement that powers the energy revolution forward and finally brings it home to communities everywhere.