



The Facts about CSCDA's Open PACE Program

CSCDA has received questions from cities, counties and property owners about its Open PACE program. The following answers those questions that have been raised.

- 1. *The five administrators under the CSCDA Open PACE program provide disclosures to property owners as required under AB 2693 and beyond.***
 - AB 2693 (2016), which went into effect on January 1, 2017 mandates minimum disclosures for all PACE programs similar to the Mortgage Industry's "Know Before You Owe" Form including:
 - 3-DAY RIGHT to CANCEL
 - Clear Financing Statement w/ APR and total financing obligation
 - 64+ year old additional call backs to confirm terms
 - The bill was originally sponsored by the California Association of Realtors and supported by the PACE industry.
 - The CSCDA Open PACE program already provided for the requirements in AB 2693 under its consumer protection policies adopted in December, 2015. The additional legislation simply codifies in statute what had largely been standard business practice for the Open PACE program.
- 2. *Homeowners are not required to pay off their PACE lien when they sell or refinance.***
 - PACE liens may stay with the property in almost every scenario during a sale or refinance.
 - Transferability of the PACE lien is typically a point of negotiation between seller, buyer, and lender.

- The Federal Housing Administration and Veterans Administration (FHA and VA Loans) will finance with PACE liens on title and allow the PACE lien to remain.
- FHFA (Fannie Mae & Freddie Mac/Conventional loans) require contractual subordination of the PACE lien.
- Open PACE program administrators have and will subordinate to the satisfaction of the lender.

3. *Special assessments have been permitted and financed in California for over 100 years.*

- PACE is a voluntary special assessment that was authorized by the California Legislature. It is a variation of existing assessment district and community facility district laws that has been in place in California for over 100 years.
- Over 2,700 special assessment districts exist in the California – which are an essential infrastructure and economic development tool for local governments – and all of the assessments are senior to the first mortgage just as PACE is.

4. *The Open PACE program has multiple layers of governmental oversight.*

- Underwriting for PACE loans was established and is monitored by the California State Treasurer's Office.
- Disclosures for PACE loans are set by the California Legislature.
- CSCDA adopted stringent consumer protection policies in December 2015.
- Cities and counties have the ability both to opt in and, importantly, to opt out *without cause if they have concerns with a PACE program* providing unfettered local control.

5. *The Open PACE program provides significant consumer protections between a property owner and contractor*

Open PACE programs provide more consumer protections than almost all other traditional financing options. Open PACE programs:

- Require contractor licensing,
- Approve only high-efficiency measures, verify work, require permits and provides a dispute resolution process.
- Provides final payment to the contractor only after the homeowners agrees that the work has been done to the homeowner's satisfaction
- Monitor contractors and penalize them for poor performance, including kicking them out of the Open PACE program.

6. *PACE programs will not cause another housing crisis.*

There are several reasons why PACE will not cause another housing crisis:

1. PACE only finances measures that reduce energy and water bills. This increases a homeowner's ability to repay the mortgage.
2. In the first economic study of homes with PACE upgrades, three different methodologies and three home price indices were examined and all turned up the same results; PACE is good for the resale value of homes, even after taking into account the financing costs.
http://www.iinews.com/site/pdfs/JSF_Winter_2016_PACENation.pdf
3. California State Treasurer's Office regulations prevent a homeowner from encumbering the property with a PACE lien that, combined with the mortgage balance, would exceed 100% of the fair market value of the property.
4. PACE does not accelerate in the event of a default. Only the amount in arrears is due.
5. Property owners with a PACE assessment have higher property tax repayment rates than the state average.

7. *CSCDA encourages property owners to review all of its options for financing to determine what their best option may be.*

- PACE is a voluntary program. As with any financing decision, property owners should compare terms and features across financing options.

- PACE interest rates are consistent with long-term, fixed interest rate financing, such as Home Equity Loans (HELs)
- Unsecured loans often have much shorter repayment terms, and comparable or higher interest rates, which lead to higher monthly/annual payments for the homeowners, which may be undesirable at best, and unsustainable at worst.
- The lowest cost financing on the market is a variable rate home equity line of credit (HELOC), which can start below 3%. Fewer than 15% of California homeowners have a HELOC in place, and many cannot wait the 30-45 days it takes to secure a HELOC (or HEL) when their A/C needs replacement in the summer.

8. *The Open PACE consumer protection policies do not permit contractors to use aggressive marketing practices that target the poor and elderly.*

- Complaints about aggressive contractors occurred well before PACE was in the market, regardless of the financing programs the contractor was offering.
- Open PACE is one of the only financing options with strong protections against aggressive marketing practices.
- All Open PACE contractors must agree to a code of conduct and are penalized if they use aggressive tactics or misrepresent the program.
- PACE call centers have multi-lingual staff to support non-English speakers.
- 100% of property owners over 64 years old receive a follow up call to ensure they understand the terms of the PACE contract.
- By state law (AB 2693), PACE also includes a three day right of rescission for anyone who changes their mind.