

# Open PACE Consumer Protection Policies

Version 1.1

CSCDA Residential Open PACE Program

## Residential Open PACE Consumer Protection Policies Version 1.1

### Executive Summary

1. **Eligible Properties.** The Program will finance improvements on residential properties (3 units or less) that meet the following criteria: (a) All mortgage-related debt on the Property may not exceed 90% of the Property's fair market value (FMV); (b) The financing may not exceed (i) fifteen percent (15%) of the FMV of the Property, up to the first seven hundred thousand dollars (\$700,000) of the Property's FMV, and (ii) ten percent (10%) of the remaining value of the Property above seven hundred thousand dollars (\$700,000); (c) The total mortgage-related debt on the underlying Property plus Program financing may not exceed the FMV of the Property.
2. **Eligible Improvements.** The Program will only finance energy efficiency, water efficiency and renewable energy improvements that are permanently affixed to the property. All improvements and products must meet standards established by the U.S. Department of Energy, the U.S. Environmental Protection Agency, California state agencies, or other reputable third parties.
3. **Disclosure of Financing Terms and FHFA Risk.** In accordance with AB 2693 (Dababneh 2016) the Program must plainly disclose to homeowners the terms of the financing: (a) the amount financed, fees and capitalized interest included, (b) the repayment process and schedule, (c) the payment amounts, (d) a term that does not exceed the useful life of the majority of the improvements, (e) the effective rate of interest charged (APR), (f) a rate of interest that is fixed (not variable), (g) a payment schedule that fully amortizes the amount financed, (h) the nature of the lien created upon recordation, (i) the specific improvements to be installed, (j) the 3-day right to cancel the financing, (k) FHFA policy toward PACE.
4. **Complaints and Dispute Resolution.** The Program must receive, manage, track, timely resolve, and report on all inquiries and complaints from homeowners. In addition, the Program must investigate and mediate disputes between homeowners and contractors. The Program must also establish a due process system to evaluate contractor complaints, and have a process to suspend and/or terminate contractors who violate Program policies.
5. **Data Security.** The Program is responsible for taking security measures that protect the security and confidentiality of consumer records and information in proportion to the sensitivity of the information.
6. **Consumer Privacy.** The Program must develop and maintain a privacy policy that complies with state and federal law (e.g., the Gramm Leach Bliley Act) and, in particular, prohibits sharing with third parties personal identifying information of homeowners without the homeowner's express authorization except where expressly permitted by state and federal law.
7. **Marketing and Communications.** The Program prohibits practices that are or could appear to be unfair, deceptive, abusive, and/or misleading, that violate laws or regulations, that provide tax advice, that are inappropriate, incomplete or are inconsistent with the Program's purpose. Cash incentives to homeowners in exchange for financing with the Program are prohibited.

8. **Protected Classes.** The Program must confirm live by telephone for each applicant who is over 64 years old the Program financing terms and an understanding of the eligible improvement project for which they are seeking Program financing.
9. **Contractor Management.** The Program ensures that contractors are licensed by the California State Licensing Board, insured and bonded. Additionally, contractors must agree to follow program marketing guidelines, and act in good faith to timely resolve homeowner complaints.
10. **Maximum Financing Amounts.** The Program will establish Maximum Financing Amounts for every project type. The Program will establish pricing rules to ensure that consumers are protected from excessive charges.
11. **Reporting.** The Program will report on a quarterly basis to its public sector partners on the number of applications submitted, projects completed, energy and water saved, and jobs created as a result of the Program.
12. **Closing and Funding.** The program requires that the homeowner and the contractor sign a certificate of completion prior to providing funding to the contractor for the project. The Program also requires that any necessary permits are pulled and verified prior to funding. The Program will conduct a randomized onsite inspection protocol to verify that the appropriate financed products have been installed.
13. **Examination.** On an annual basis, CSCDA will have an audit conducted of the Program's compliance with the policies set forth in this document. The results of the audit will be made available to participating local governments upon request.

## OVERVIEW

*Property assessed clean energy (“**PACE**”) programs enable a much broader range of homeowners (including trustee, if home is owned by a trust or other authorized agent acting on behalf of the homeowners) where a Project will be installed or who has submitted an application for PACE Financing (each a “**Property Owner**”) the ability to install energy efficiency, renewable energy, water efficiency improvements and other improvements that increase the functionality and sustainability of their homes. Such improvements financed under the Program (“**Measures**” or collectively in one installation, “**Project**”) may make homes less costly to operate and more comfortable to live in, while simultaneously reducing energy and water consumption.*

*PACE Programs (“**PACE Programs**” or “**Program**”), including the government authorities sponsoring them (each an “**Authority**”) and, where applicable, the third party non-government entity who helps implement them (each a “**Partner**”), provide tools and resources enabling Property Owners to make smart, informed and responsible choices regarding such Measures. PACE Programs must be responsible for ensuring that the tools and resources are appropriate and accurate, which means care must be taken with Property Owners before, during and after the origination of financing under the Program (“**PACE Financing**”). Consumer protections serving Property Owners must be a core value of PACE Programs, including the Authorities and Partners. In this document, “Partner” refers to the Authority in all cases where a Program does not include a third party non-government partner.*

*The baseline consumer protection policies of the Program cover the following areas: (1) Eligibility and Risk, (2) Disclosures and Documentation, (3) Financing Terms, (4) Operations, (5) Post-Funding Property Owner Support, (6) Data Security, (7) Privacy, (8) Marketing and Communications, (9) Protected Classes, (10) Participating Contractor Requirements, (11) Eligible Measures, (12) Maximum Cost per Measure, (13) Reporting, (14) Closing & Funding and (15) Oversight. The recommended consumer protection policies set forth herein can help guide PACE Program implementation to ensure Property Owners realize maximum benefit.*

### 1. ELIGIBILITY AND RISK

*Policy Summary: The Program blends traditional credit risk considerations together with statutory*

*requirements and administrative policy objectives to develop specific risk and eligibility criteria for participation in the Program. While this process will exclude unqualified Property Owners and properties, special consideration has been given to develop inclusive standards. The criteria examine three key attributes of every Project: (1) the real property on which the Measures will be installed (“**Property**”), (2) the Property Owner’s mortgage and property tax payment history, and (3) the eligibility of the Measures to be installed.*

1.1. Properties. Consistent with its foundational considerations, it is the policy of the Program to make the Program available to the entirety of the existing residential housing stock within its political boundaries. Applicable law often governs the eligibility criteria for Properties and not all properties may be eligible for PACE Financing, which may include: (i) commercial properties, (ii) new properties under construction, or (iii) properties that cannot be subject to an assessment or levy. The Partner will examine the Property for compliance with the criteria set forth in applicable law. If requested in good faith by a Property Owner whose Property has been found ineligible, the Partner may undertake a “second look” eligibility review of the applicant’s Property, re-examining the specific attributes of the Property in question and confirming or modifying the original determination. Accordingly, unless otherwise allowed or required by applicable law, Properties eligible for Program financing will have the following attributes:

- 1.1.1. All property taxes for the Property are current for the previous three years or since the current owner acquired the Property, whichever period is shorter.
- 1.1.2. The Property is not subject to any involuntary lien in excess of \$1,000.
- 1.1.3. The Property is not subject to any notices of default.
- 1.1.4. The Property is within the geographical boundaries of the PACE Program.
- 1.1.5. The PACE Financing is for a residential property of three units or fewer.
- 1.1.6. The PACE Financing is for less than fifteen percent (15%) of the value of the property, up to the first seven hundred thousand dollars (\$700,000) of the value of the property, and is for less than ten percent (10%) of the remaining value of the property above seven hundred thousand dollars (\$700,000).
- 1.1.7. The total mortgage-related debt and PACE Financing on the underlying property does not exceed the value of the property.

In each case the value of the Property shall be determined at the time of Property Owner's application for PACE Financing using a documented and uniform process.

- 1.2. Property Owners. The assessment associated with PACE Financing ("**PACE Assessment**") typically appears as line items on property tax bills and Property Owners repay their PACE Financing when they pay their property tax bills. The Property Owner's mortgage and property tax payment history is, thus, an important factor in determining a Property Owner's eligibility to participate in the Program. Accordingly, at the time of application, and unless otherwise allowed or required by applicable law, applicants must have status and payment histories that are consistent with the following in order to be eligible for PACE Financing:
  - 1.2.1. The Property Owner is not in bankruptcy proceedings.
  - 1.2.2. The Property Owner is current on all mortgage debt.
  - 1.2.3. The Party seeking financing is the holder of record on the property.
- 1.3. Eligible Measures. The Program provides financing for a broad range of eligible Measures permanently-affixed to the Property, the details of which are set forth in Section 11. Only those Measures specified in Section 11 are eligible for PACE Financing, provided that a Property Owner may request a review of specific measures on a case-by-case basis to determine if a particular product not otherwise listed in Section 11 may be included as an eligible Measure by the Partner. While the Partner is responsible for confirming the eligibility of Measures, it is not responsible for determining post-installation energy performance, savings or efficacy of such Measures. The Program relies on applicable law as well as data and ratings from the U.S. Department of Energy, the Environmental Protection Agency or other federal and state government agencies or other reputable third parties in determining what constitutes an eligible Measure.

## 2. DISCLOSURES & DOCUMENTATION

*Policy Summary: Program documentation should ensure compliance with these consumer protection policies and must be clear, complete, and fair to all parties. PACE Financing is a relatively new form of financing that, while sharing some features of traditional financing, presents*

*new considerations for Property Owners. Best practices counsel the Program to disclose traditional “know before you owe” financing terms (“**Disclosures**”) in a form substantially similar to that set forth in Attachment A. Disclosures covering the PACE Financing repayment cycle (typically, annual or semiannual) and the Federal Housing Finance Authority’s announcement regarding payoff of the PACE Assessment at the time of sale or refinance are among the new considerations. The Disclosures are a method to provide Property Owners information regarding the Program’s traditional and non-traditional features.*

- 2.1. Document Timing. Before commencement of any Project, a Property Owner needs to: (i) submit an application; (ii) receive approval of the Measures from the Partner; and (iii) execute documentation covering the terms and Disclosures summarized in this Section 2. Following installation of the Measures, a Property Owner needs to: (i) acknowledge that the installation of the Measures has been satisfactorily completed; and (ii) receive a final summary of the PACE Financing costs and payments. Delivery of all such documentation to the Property Owner is the responsibility of the Partner.
- 2.2. Terms. Fundamental terms to include in the Disclosures include: (i) the amount financed including the cost of the installed Measure(s), together with Program fees and capitalized interest, if any, (ii) the repayment process and schedule, (iii) the payment amounts, (iv) the term of the financing, (v) the rate of interest charged, (vi) a payment schedule that fully amortizes the amount financed, (vii) the nature of the lien or obligation created upon recordation, (viii) the Measures to be installed, (ix) the right to cancel the financing pursuant to applicable law, (x) the right to withhold approval of final payment until the Project is completed to the Property Owner’s satisfaction, and (xi) any other relevant state-specific rights, notices, or requirements. It is the responsibility of the Partner to prepare, deliver and arrange for any applicable execution of documents reflecting such terms.
- 2.3. Disclosures Policy. Disclosures ensure that Property Owners are aware of and understand key PACE Financing terms and risks associated with the Program. It is the policy of the Program that the Partner confirm delivery to the Property Owners of these Disclosures, and obtain written acknowledgement that the Property Owner has read and understood them.

Disclosures	Description
Term of financing	The maximum time period of the financing
Amount financed	The total amount financed, including the installed cost of the Measure(s), Program fees and capitalized interest, if any
Annual payment amount	The amount due each year, even if paid in semi-annual installments or through monthly impound/escrow payments
Annual percentage rate/APR	The effective interest rate after taking into account all fees and capitalized interest
Product(s) financed	The Measures installed
Mortgage risks	The risk that the Property Owner may need to pay off the PACE Assessment at the time of sale or refinance
Right to cancel	The right to rescind the financing pursuant to applicable law
Prepayment	The right to prepay the PACE Financing with clearly defined penalties, if any. Also: disclose that prepayment may wait until next tax period if notice is provided after tax roll is boarded.

The following comprise additional key Disclosures of the Program provided by the Partner.

Disclosures	Description
Program overview	A document or section of a document that provides a comprehensive summary of the Program, including a summary of a Property Owner's rights and obligations
Property tax repayment process	Description of the property tax payment process and the line item

Disclosures	Description
	for repayment of the PACE Financing
Tax benefits	Recommend Property Owners consult with a tax professional regarding potential tax benefits that could apply to them.
Privacy	A notice describing the privacy policies of the Program or Partner

2.4 Confirmation of Terms. For all PACE Financing applications, it is the policy of the Program that the Partner confirm with the Property Owner applicant each of the PACE Financing terms listed in (a)-(i) below.

Further, it is the policy of the Program that the Partner confirm live by telephone for each applicant who is over 64 years old the Program financing terms listed in (a)-(i) of this Section 2.4, and any other special categories of Property Owners as designated by the Program. For avoidance of doubt, for Property Owners over 64 years old, a voicemail message does not satisfy the requirement of Program financing term confirmation under this Section 2.4.

Before any notice to proceed with the installation of Measures, the Partner will confirm the Property Owner understands:

- (a) The improvement(s) being installed are being financed under the Program;
- (b) The total estimated annual payment, including applicable fees;
- (c) The estimated date the first property tax payment will be due;
- (d) The term of the PACE Financing;
- (e) The PACE Financing payments will be made through the Property Owner's property taxes and paid either directly to the county assessor's office or through his or her mortgage impound/escrow account;
- (f) The existence of potential tax benefits and recommendation that Property Owner consult a tax advisor;

- (g) The possibility that the PACE Assessment (a) may transfer and remain on the Property or (b) may be required to be paid off if the Property Owner sells or refinances the Property;
- (h) Only the Measures indicated in the financing agreement will be financed by the PACE Financing; and,
- (i) Partner must be informed prior to funding the PACE Financing if Property Owner has authorized any new Measures.
- (j) If homeowner prepays after the County has placed the assessment on the tax roll, it may not be able to be adjusted.

### 3. FINANCING TERMS

*Policy Summary: PACE is a form of financing that, while sharing some features of traditional financing, presents new considerations for capital sources and structures of financing. Best practices counsel the Partner to proactively solicit feedback from Program stakeholders and Property Owners and incorporate this information into policy improvements which benefit Program Stakeholders and Property Owners.*

- 3.1 Interest Rates. It is the policy of the Program that the Partner offer fixed simple interest rates, and payments that fully amortize the obligation. Variable interest rates or negative amortization financing terms are not permitted. For the avoidance of doubt, capitalized interest included in the original balance of PACE Financing does not constitute negative amortization.
- 3.2 Sustainable Funding Source. It is the policy of the Program that the Partner establish a sustainable source of capital for funding PACE Financing separate from the Authority's general fund or budget and have access to capital markets to ensure PACE Financing for qualified Projects is available on a consistent basis. A Partner must demonstrate the capacity to fund PACE Financing the Program and Partner anticipate originating through such Partner over a six (6) month period immediately following the Program's review of such Partner's financial statements.
- 3.3 Subordination. For Programs in states with senior lien PACE statutes, a Program and/or its Partner may accommodate Property Owners with a PACE Assessment and prospective buyers of such Properties by offering to subordinate certain of its/their rights derived from the PACE Assessment lien to the lien of a mortgage or deed of trust. The subordination may provide the lien under a mortgage or deed of trust with senior rights such that the lender may be induced to provide a mortgage loan on a Property with a PACE Assessment. The subordination option may be made available to homebuyers and Property Owners in accordance with policy agreed upon by the Program and the Partner.
- 3.4 Contractor Fees. It is the policy of the Program that the Partner can only charge fees to Participating Contractors as long as the Partner requires that such Participating Contractors absorb such fees and not pass the fees on to Property

Owners.

## 4. OPERATIONS

*Policy Summary: Operations refers to the staff, procedures, and systems that the Partner uses to deliver the Program to Property Owners and provide ongoing support. For the Partner, operational competence rests on the ability to perform well in a range of areas and disciplines, such as accounting, finance, capital markets, risk assessment, legal, compliance, government affairs, municipal engagement training, marketing and sales, contractor engagement, business development, and corporate development. While each operating unit incorporates thoughtful and highly effective consumer protections in the work it produces, Operations is the gatekeeper responsible for assuring the Program has the people, processes, tools and technology necessary to deliver to Property Owners the PACE Financing, as well as the consumer protections described in these policies.*

4.1 Operational Consumer Protection Policies. The Partner will provide people and develop processes, tools and technology necessary to support the consumer protection measures described in detail elsewhere in this policy, including: (i) risk and underwriting processes; (ii) terms and documentation delivery systems; (iii) documentation, maintenance and retrieval processes; (iv) disclosure development, delivery and acknowledgment receipt; (v) post-funding support for Property Owners and other stakeholders such as real estate professionals; (vi) data security measures; (vii) privacy policy development and protections; (viii) marketing and communication oversight; (ix) protected class data and communication processes; (x) contractor management and engagement; (xi) eligible product database and/or list development and maintenance; (xii) implementation of maximum costs per Measure; (xiii) key metrics reporting; (xiv) closing and funding processes (including the ability to fulfill financing obligations); (xv) data production for oversight; and (xvi) implementation of procedures to identify and address conflicts of interest within and associated with the Program.

## 5. POST-FUNDING PROPERTY OWNER SUPPORT

*Policy Summary: A public/private partnership is at the core of the Program. This partnership carries with it elevated consumer protection responsibilities that apply to the Program with as much significance during the post-funding period as they do during the time of application and origination. Establishing and operating an executive office responsible for customer care that responds to inquiries, complaints, and contractor and workmanship concerns of the Measures financed is fundamental to the consumer protections that the Program provides.*

- 5.1. Proactive Engagement. It is the policy of the Program that the Partner proactively monitor and test the consumer protections delivered to Property Owners, and to request feedback from Property Owners, local governments and Participating Contractors to identify potential improvement actions.
- 5.2. Onboarding. It is the policy of the Program that the Partner develop and implement a post-installation onboarding procedure for Property Owners to reinforce key characteristics of the Program, such as those highlighted in the Program disclosures.
- 5.3. Payments. It is the policy of the Program that the Partner have disclosures and resources in place to resolve any Property Owner questions regarding payments. The Program requires that the Partner implement procedures for responding to requests for partial or full prepayment of their PACE Financing in a timely and complete manner, matters regarding impound/escrow account payments, payment timing inquiries, and payment amount reconciliation among others.
- 5.4. Inquiries and Complaints. It is the policy of the Program that the Partner receive, manage, track, and timely resolve all inquiries and complaints from Property Owners. This policy contemplates the Partner having an ability to perform inspections, meet with Property Owners and Participating Contractors, investigate matters, and assist in facilitating resolutions between Property Owners and Participating Contractors where appropriate. The Partner must proactively work to resolve inquiries and complaints in a reasonable and timely manner and in accordance with the Program guidelines and must make communication for Property Owners available during regular business hours by phone and email.

- 5.5. Real Estate Transactions. It is the Program's policy that the Partner develop capabilities to assist Property Owners who are refinancing or selling their Property. The Partner must support real estate professionals providing services to refinance and sales transactions for Properties with PACE Assessments.

## 6. DATA SECURITY

*Policy Summary: Trust is fundamental to any financing relationship, and Program financing is no exception. The public/private partnership at the center of the Program, as well as the confidential relationship Property Owners have with the Partner, mandate that the Program implement industry-standard cyber-security policies and procedures, and in particular develop secure and tested processes protecting Property Owners' nonpublic personal information at points of potential vulnerability, especially during the application process.*

6.1. Information Systems. It is the policy of the Program that the Partner develop and comply with secure and tested processes to protect the nonpublic personal information of the Property Owner described in Section 7, including:

- 6.1.1. A cyber-security policy and protocol that, at a minimum, requires data encryption “during transmission” and “at rest,” and in compliance with its cyber-security standards.
- 6.1.2. A protocol for Partner employee access to Property Owner information based upon job function and need-to-know criteria.
- 6.1.3. Procedures protecting the security and confidentiality of Property Owner records and information, including, without limitation, requiring all its computers and other devices containing any nonpublic personal information of Property Owners to have all drives encrypted with industry-standard encryption software.
- 6.1.4. Monitoring and logging all remote access to its systems, whether through VPN or other means.
- 6.1.5. Data security policies and procedures that are subject to auditing and penetration testing conducted by an independent auditor.
- 6.1.6 Ensuring minimum viable configurations are in place on all servers. All firewalls should have continuous logging enabled. In addition, access control lists and audited server configurations should be used to ensure that data security is maintained.

6.2. Personnel. The Partner is responsible for:

- 6.2.1. Informing and enforcing compliance with the Program's data privacy and security policies on the part of its employees, Participating Contractors, vendors, agents, service providers, representatives, and associates exposed to nonpublic personal information of Property Owners.
- 6.2.2. Implementing procedures and controls to prevent unauthorized copying, disclosure, or other misuse of nonpublic personal information.

## 7. PRIVACY

*Policy Summary: The trusting and confidential relationship that exists between Property Owners and the Program extends to the Partner's use of Property Owner data. Compliance with the Gramm-Leach-Bliley Act as well as the establishment of clear opt-in and opt-out protocols for information sharing are the pillars of the Program's privacy policy. More broadly, the Partner must protect and manage nonpublic personal information, respect the privacy of all Property Owners, and implement robust controls to prevent unauthorized collection, use and disclosure of such information.*

- 7.1. Privacy Policy. The Partner obtains “**nonpublic personal information**” (as defined in the Gramm-Leach Bliley Act of 1999, title V, its implementing regulations, and other similar laws and regulations) from Property Owners as part of the Program application process or through other Property Owner touch points with the Program. It is the Program's policy that the Partner develop a privacy policy covering (i) the sources from which nonpublic personal information is obtained, (ii) the Partner's use of nonpublic personal information, and (iii) a mechanism by which a Property Owner may opt-out of sharing information. The Partner will deliver the privacy policy to Property Owners prior to the receipt of the Property Owner's signed PACE Financing agreement and will provide Property Owners with updates to such privacy policy.
- 7.2. Application Process. Unless otherwise consented to by the Property Owner, it is the policy of the Program that all nonpublic personal information provided by a Property Owner to a Partner during the application process is provided directly by the Property Owner to the Partner.

## 8. MARKETING & COMMUNICATIONS

*Policy Summary: Clear, informative, truthful, balanced, transparent and complete communications are essential for the Program. The stakeholders of the Program include Property Owners, Participating Contractors, the Authority, government officials and staff, investors, finance partners, real estate professionals, mortgage lenders, and the Partner among others. Communications or acts and practices that mislead stakeholders, abuse stakeholders, or otherwise fail to meet the core communication standards of appropriateness for the Program are not acceptable.*

- 8.1. Prohibited Practices. The Program prohibits marketing practices that are unfair, deceptive, abusive, misleading, violate federal or state laws or regulations or are inconsistent with the Program’s purpose. The Partner and Participating Contractors and other permitted vendors making marketing or sales telephone calls on the Partner’s behalf must not violate federal or state “Do-Not-Call” laws. The Partner is responsible for developing and enforcing marketing practices meeting the requirements set forth herein.
- 8.2. Permitted Practices. It is the policy of the Program to adhere to all legal and regulatory requirements pertaining to its advertising and marketing efforts. On the basis of providing clear and concise communication to Property Owners, any practice that promotes an informed decision on the part of Property Owners and is not prohibited as described in Section 8.1 is permitted. The Partner is responsible for monitoring and testing co-branded (branded by Partner and a Participating Contractor) marketing materials for compliance and promptly correcting any non-compliant materials.
- 8.3. Tax Advice. It is the policy of the Program that no Partner, Participating Contractor or other third party acting on Partner’s behalf, who is not a tax expert, may provide tax advice to Property Owners regarding PACE Financing; provided the Partner may indicate to the Property Owner that tax benefits may be available to certain Property Owners who have a PACE Assessment as described in IRS Tax Topic 503<sup>1</sup> and direct Property Owners to seek the advice of an expert regarding tax matters related to the Program. The Partner shall monitor and test the sales practices of its employees and Participating Contractors to

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<sup>1</sup> <https://www.irs.gov/taxtopics/tc503.html>

confirm adherence to the policy set forth in this Section 8.3.

8.4. Payments in Exchange for Financing. It is the policy of the Program that no Partner, contractor or affiliated individual may provide a direct cash payment or other thing of value to a homeowner explicitly in exchange for such homeowner's selecting Program financing. For avoidance of doubt, the limitations provided in this Section 8.4 are not intended to prevent the Program from offering to homeowners, contractors or affiliated individuals promotions that are not explicitly part of the exchange referred to in the preceding sentence.

## 9. PROTECTED CLASSES

*Policy Summary: The Partner must ensure compliance with all state and federal laws that cover individuals in protected classes. A specific requirement of the Program includes heightened protections for Property Owners over 64 years old, such as confirming such Property Owners' understanding of financing terms and Project specifications. Unintentional non-compliance will not excuse a failure to comply with all state and federal laws regarding protected classes.*

9.1. General. The Program requires that the Partner develop procedures to monitor and test compliance with all state and federal laws covering Property Owners in protected classes.

9.2 Financing Application Access and Decisioning. It is the responsibility of the Partner to provide legally unbiased access to and decisioning regarding Program participation to all applicants for PACE Financing.

## 10. CONTRACTOR REQUIREMENTS

*Policy Summary: Participating Contractors and their sales persons are one of the primary means by which Property Owners become aware of PACE and Program participation options. Participating Contractors enter into contracts with the Partner, and are required to register with state and local licensing boards and agencies required by applicable law. Participating Contractors are required to complete training courses, follow a code of conduct, maintain insurance, post bonds, and follow marketing requirements, among other obligations, all of which are designed to facilitate the Property Owners' positive and productive interaction with the Program.*

10.1. Policies. It is the policy of the Program that all contractors who sell, install, or manage subcontractors who install eligible Measurers will have become “**Participating Contractors**” by executing the Program’s Contractor Participation Agreement (the “**PCPA**”) and that all such Participating Contractors meet the requirements of the PCPA, which include:

10.1.1. Compliance with any relevant state contractor code of conduct.

10.1.2. Maintenance of an active license, and in good standing, with any relevant state licensing board, as well as maintenance of insurance and an ability to meet bonding requirements;

10.1.3. Execution of the PCPA only by a person who is authorized to act on behalf of, and who is responsible for the actions of, a Participating Contractor and in compliance with any applicable licensing board requirements;

10.1.4. Oversight and management of employees, independent contractors and subcontractors who provide services to Participating Contractors under the Program;

10.1.5. Meeting all other state and local licensing, training and permitting requirements;

10.1.6. Compliance with the Program’s marketing policies; and

10.1.7. Requiring that Participating Contractors register any individuals who are

providing sales services related to the Program on their behalf.

10.1.8 Contractors have confirmed that they have read the CSCDA Consumer Protection Policies.

10.2. New Contractors. Regarding Participating Contractors new to the Program, it is the policy that the Partner:

10.2.1. Has a specified probationary period (i.e., place the new Participating Contractors on a watch list) until the new Participating Contractors have completed the required number of Projects;

10.2.2. Has procedures in place, during the Participating Contractor probationary period, to provide additional quality assurance steps for Projects completed by the new Participating Contractors; and

10.2.3. Has procedures in place to review Participating Contractor work to confirm satisfactory completion of Projects conducted during the probationary period.

10.3 Contractor Management. It is the policy that the Partner use commercially reasonable efforts to manage and track Participating Contractor training and any compliance violations on an individual and Participating Contractor company basis.

10.4 Contractor Training. It is the policy of the Program that the Partner make available Participating Contractor training regarding, at a minimum, the following: (i) the applicable contractor code of conduct terms as required by the Program, (ii) protected classes, including, without limitation, elder protection, and (iii) other consumer protection measures as required by the Program.

10.5 Remedial Action. Following reasonable escalation procedures, Partners may suspend or terminate a Participating Contractor from the Program based on violations of the PCPA or any applicable law. It is the policy of the Program that the Partner implement processes for the review and documentation of alleged violation(s) of a Participating Contractor and, if applicable, the suspension and/or termination of such Participating Contractor.

## 11. ELIGIBLE MEASURES

*Policy Summary: The Program enables and encourages Property Owners to install Measures designed to provide a public benefit (such as saving water and energy) in accordance with applicable law. The Partner is responsible for implementing practices and controls (e.g., eligible Measure databases and Measure confirmation processes) to ensure that PACE Financing is used only for eligible Measures. Establishing eligible Measures ensures Property Owners finance improvements which are industry recognized for achieving high levels of home energy or water efficiency, or other state-specific approved Measures.*

- 11.1. Policies. Consistent with the objectives of the PACE enabling legislation, it is the policy of the Program through consultation with the Partner and the Authority to:
- 11.1.1. Establish, and maintain an eligible Measures database and/or list, documenting the associated eligibility specifications for each Measure;
  - 11.1.2. Define a process for adding to or modifying the eligible Measure database;
  - 11.1.3. Ensure that eligible Measure energy efficiency/water efficiency/energy generation (as applicable) performance standards are calibrated and verified using performance criteria that the U.S. Department of Energy, U.S. Environmental Protection Agency, and/or other federal and state agencies or other reputable third parties have established;
  - 11.1.4. Use credible third party sources to determine the useful life of each installed Measure, which will be used in connection with setting the maximum term for PACE Financing; and
  - 11.1.5. Require that each Measure is permanently affixed to the Property.
  - 11.1.6. Anything of value provided by a Participating Contractor to the Property Owner other than the Measures cannot be included in the PACE Financing. For the avoidance of doubt, site preparation required to support and enable installation of the Measures may be included in PACE Financing.
- 11.2. Procedures. It is the policy of the Program that the Partner establish procedures confirming that the Property Owner applying for PACE Financing intends to install

eligible Measures, and that at the time of final funding such Measures have been installed to the Property Owner's satisfaction.

11.3. Ineligible Products.

11.3.1. Financing of ineligible products under the Program is prohibited.

11.3.2. Products that are not included on the eligible Measures list or in the eligible Measures database can be submitted for review to the Partner on a case-by-case basis, to determine if such products may be eligible for PACE Financing.

## 12. MAXIMUM COST PER MEASURE

*Policy Summary: Many Property Owners cannot readily access price information regarding the installation of energy efficiency, renewable energy and water conservation Measures for their homes, and cost often is a key economic consideration. It is in the public interest to implement a Maximum Cost per Measure (“**MCM**”) procedure based upon the fair market value of the Measures setting the ceiling for amounts that can be financed with PACE Financing.*

The Program’s MCM policies provide as follows:

- 12.1. It is the policy of the Program for the Partner to develop MCMs based on market data and the Partner’s experience. In evaluating Measure pricing, the Partner may take into account regional factors contributing to the pricing of Measures.
- 12.2. It is the policy of the Program that the Partner, at a minimum, establish an MCM for each Measure type (e.g. for central air conditioners, solar PV systems, solar thermal systems and artificial turf).
- 12.3. It is the policy of the Program that the Partner establish attribute-related pricing rules for each type of Measure to correspond with and justify the applicable MCM.
- 12.4. It is the policy of the Program that the Partner establish procedures and systems for purposes of enforcing the MCM rules for every Project.
- 12.5. A Measure may only be financed under the Program for an amount that is greater than the applicable MCM if the greater amount is justified by reasonable standards that are validated and documented by the Partner.

## 13.REPORTING

*Policy Summary: Reporting the economic and environmental results of Program participation is essential for the Program, Partner, elected officials, environmental agencies, the investment community, the real estate and mortgage industry, and many other stakeholders. Metrics such as economic stimulus dollars invested, greenhouse gas reduction, the total number of Measures utilizing PACE Financing, the total PACE Financing amounts funded, estimated renewable energy production and energy savings serve this need. The Partner is responsible for producing, on a quarterly basis, a key metrics report.*

- 13.1. Reporting Categories. It is the policy of the Program that Program statistics reporting and estimated impact metrics in the following categories be developed by the Partner and reported quarterly to the Authority: (i) total number of PACE Financings funded, (ii) total dollar amount of PACE Financings funded, (iii) estimated amount of energy savings, (iv) estimated amount of renewable energy produced, (v) estimated amount of water savings, (vi) estimated amount of greenhouse gas emissions reductions, and (vii) estimated number of jobs created.
- 13.2. Reporting Standards. It is the policy of the Program that all data included for the metrics reports be developed and collected by the Partner using industry-standard principles and methodologies. The methodologies and supporting assumptions and/or sources must be made available to the Authority by the Partner. It is the responsibility of the Partner to develop reports consistent with each of categories listed above and to test and verify the data collection and reporting methods and models used. All reports shall include only aggregate data, excluding any nonpublic personal information.
- 13.3 Participation in CAEATFA in California. Residential PACE programs operating in California must participate in the PACE Reserve program of the California Alternative Energy and Advanced Transportation Financing Authority (“CAEATFA”). Accordingly, any Program operating in California must report bi-annually on program activity to CAEATFA.

## 14.CLOSING & FUNDING

*Policy Summary: The Program provides limited purpose financing to Property Owners, and not general purpose financing that is more common among other sources of financing. The Program has front-end and pre-funding procedures designed to confirm that PACE Financing dollars are used for permissible purposes. A policy requiring such procedures is essential to protecting the integrity of the Program.*

- 14.1. Installation Completion Sign-off. It is the policy of the Program that the Partner confirm, before final funding, that the Measures are installed, operational and in a condition that is acceptable to the Property Owner and the Participating Contractor, and to require that the Property Owner and the Participating Contractor to acknowledge the same. It is the responsibility of the Partner to confirm any such acknowledgement is provided within the maximum allowable installation time as specified by the Program.
- 14.2. Permits. It is the policy of the Program for Property Owners seeking PACE Financing to obtain required permits for the installation of Measures and provide verification thereof upon request to the Partner.
- 14.3. Funding. It is the policy of the Program that the Partner disburses final payment to the Participating Contractor only for Projects that are complete in accordance with this Section 14.
- 14.4. Recording. It is the policy of the Program that the Partner record the required lien recordation documentation in a manner consistent with state law.
- 14.5. Asset verification. It is the policy of the Program that the Partner confirms that Measures listed on any acknowledgement of satisfactory completion and for which PACE Financing has been provided have been installed and that the Partner develop and implement a randomized onsite inspection protocol acceptable to the Authority.

## 15. OVERSIGHT

*Policy Summary: Oversight provides assurances to stakeholders that the Program and Partner are operating in compliance with its legislative purpose. The Authority shall facilitate, through an independent, third party process, the certification of the PACE Program as compliant with the policies set forth herein, the procedures developed in response to them and the legislation enabling the Program.*

15.1 Examination Process. On an annual basis, the Authority shall cause a reputable independent third party to conduct a review and audit of the Partner's compliance with the requirements set forth in this PACE Consumer Protection Policies document. Upon completion of such review and audit, the Authority shall make the results available to its local government participants upon request.

Attachment A

Form of Disclosures

## FINANCING ESTIMATE AND DISCLOSURES

DATE ISSUED

PROPERTY OWNER

PROPERTY ADDRESS

TERM

IDENTIFICATION #

EXPIRATION

**Notice to Property Owner:** You have the right to request that a hard copy of this document be provided to you before and after reviewing and signing. The financing arrangement described below will result in an assessment against your property which will be collected along with your property taxes and will result in a lien on your property. You should read and review the terms carefully, and if necessary, consult with a tax professional or attorney.

**Customer Service Toll-Free Telephone Number and Email:** In the event you have a consumer complaint, questions about your financing obligations related to the Assessment Contract or your contractual rights under the terms of this contract, you can contact either this toll-free telephone number or email address provided below and receive a response within 24 hours or one business day.

Toll-Free Telephone Number:

Customer Service Email Address:

### Product Costs

	<i>Product Description</i>
Cost of Improvements (including labor and installation)	• <i>Product</i>

### Upfront Costs

*One-time fees that are a cost to obtain financing*

Application Fees

Capitalized Interest (Prepaid)

*Interest you must pay from estimated close date to September 2<sup>nd</sup> of the year in which you make your first assessment payment.*

Other Costs (Closing Costs)

*See Other Costs (Closing Costs) details on next page.*

**Total Upfront Costs**

### Assessment Costs

**Estimated Total Assessment Amount**

*This is the total amount financed (Products Cost + Upfront Costs). Final amount may differ based on actual close date.*

Annual Percentage Rate (APR)

Simple Interest Rate

Annual Administrative Fees

*Annual Administrative Fees are subject to change.*

**Estimated Annual Principal, Interest and Administrative Fees**

*Estimated annual property tax payment for assessment. Final amount may differ based on actual close date.*

*Note: If your property taxes are paid through an impound account, your mortgage lender may apportion the amount and add it to your monthly payment. See "Other Important Considerations" below.*

## Other Costs (Closing Costs)

Appraisal Fees	<i>No appraisal is required.</i>
Bond-Related costs	<i>This is the amount you pay to cover a Reserve Fund Deposit + Foreclosure Expense Reserve Account Deposit.</i>
Program-Related Fees	<i>These fees cover origination and program administration.</i>
Credit Reporting Fees	<i>Any fees for credit reporting are included in Program-Related Fees.</i>
Lien Recording Fees	<i>These fees are paid to the county in which your property is located.</i>
<b>Total Other Costs (Closing Costs)</b>	

## Calculating Cash to Close

Total Upfront Costs	<i>As detailed on the first page. These represent your financing and closing costs.</i>
Upfront Costs Financed	<i>All Upfront Costs are financed as part of the principal.</i>
<b>Estimated Cash (out of pocket) to close</b>	

## Other Terms

Prepayment Fee	No	<i>Administrator does not charge a percentage of the outstanding balance to the property owner as a penalty based on the year in which they make a prepayment. However, depending on when the prepayment is made, accrued interest until the next payment date to bond holders – twice a year in September and March – must be paid at time of prepayment.</i>
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## Additional Information about this Financing

<b>Over the term of the financing</b>	<b>Use this information to compare with other financing options.</b>
Principal you will have paid off	<i>Principal you will pay including Costs of Improvements + the portion of Upfront Costs associated with Other Costs (Closing Costs).</i>
Amount of interest you will have paid	<i>Amount of interest you will pay including the portion of Upfront Costs associated with Capitalized Interest (Prepaid) + standard interest on principal.</i>
Amount of Annual Administrative Fees	<i>Amount of administrative fees you will pay. The fees are subject to change by your county.</i>
<b>Total you will have paid</b>	<i>Total amount you will pay in principal, interest and administrative fees.</i>
Annual Percentage Rate	<i>Your costs over the term expressed as a rate. This is not your interest rate.</i>
Total Interest Paid	<i>Interest that you will have paid as a percentage of total you will have paid.</i>

## Other Important Considerations

Property Sale or Refinancing	I understand that I may be required to pay off the remaining balance of this obligation by the mortgage lender refinancing my property. If I sell my property, the buyer or their mortgage lender may require me to pay off the balance of this obligation as a condition of sale.	Initials
Tax Payment and Monthly Mortgage Payments	Your payments will be added to your property tax bill. Whether you pay your property taxes through your mortgage payment using an impound account or if you pay them directly to the tax collector, you will need to save an estimated [xxx] for your first tax installment. If you pay your taxes through an impound account you should notify your mortgage lender, so that your monthly mortgage payment can be adjusted by your mortgage lender to cover your increased property tax bill.	Initials
Tax Benefits	Consult your tax adviser regarding tax credits, credits and deductions, tax deductibility, and other tax benefits available. Making an appropriate application for the benefit is your responsibility.	Initials
Statutory Penalties	If your property tax payment is late, the amount due will be subject to a 10% penalty, late fees, and 1.5% per month interest penalty as established by state law, and your property may be subject to foreclosure.	Initials
Three Day Right to Cancel	You, the property owner, may cancel the contract at any time on or before midnight on the third business day after the date of the transaction to enter into the agreement without any penalty or obligation. To cancel this transaction, you may mail or deliver a signed and dated copy of the contract with notice of cancellation to: ADDRESS You may also cancel the contract by sending notification of cancellation by email to the following email address: EMAIL ADDRESS	Initials

## Confirmation of Receipt

This confirms the receipt of the information in this form. You do not have to accept this financing just because you acknowledge that you have received or signed this form, and it is NOT a contract.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date