

FACT SHEET ON CALIFORNIA SB 242 & AB 1284

A Comprehensive Consumer Protection, Underwriting, and Regulatory Framework for Property Assessed Clean Energy

Importance of PACE

PACE financing in local communities gives homeowners more private-sector options to make their homes more energy efficient and resilient. In the process, PACE has also created tens of thousands of high-quality, sustainable construction-sector jobs and has encouraged significant local economic growth, all through a completely voluntary program provided at no cost to public budgets.

Elected officials at the city and county level choose to make the program available to local homeowners, which gives residents another option to finance energy and efficiency investments in their homes. Participating homeowners can benefit from the improvements immediately and pay back the costs over time at a fixed, competitive interest rate through their property tax bill.

With PACE, contractors are paid only after the work is complete and the homeowner has signed off, allowing for PACE providers to have oversight and ability to help resolve workmanship or other contracting issues. This innovative financing solution allows retrofits that make homes more comfortable, efficient, and potentially more valuable.

An Enforceable Consumer Protection Framework for PACE

PACE is offered in most cases initially through home improvement contractors that provide HVAC, solar, roof, door, window, and other services. Marketing practices, disclosures and other customer support mechanisms have evolved in the market over time as the private sector companies providing PACE and their local government partners have identified gaps and worked to establish consumer protections. Not all private sector PACE programs have been required to have the same protections. But in September 2016, that began to change, as Governor Jerry Brown signed into law AB 2693, authored by Assembly Member Matt Dababneh, which codified state standards for written disclosures a property owner choosing PACE must receive prior to signing a contract for PACE financing. AB 2693 mandated a three-day right to cancel as well as written disclosures for PACE customers modeled on the federal Know-Before-You-Owe form used in mortgage lending.

This year the California Legislature took on two bills – SB 242, co-authored by Senator Nancy Skinner and Assembly Member Matt Dababneh, and AB 1284, co-authored by Assembly Member Dababneh, Senator Skinner, and Assembly Member Ian Calderon -- that build on AB 2693 to establish a clear, enforceable statewide consumer protection framework that will help ensure positive outcomes for homeowners, and the continued viability and sustainability of PACE.

Key Changes to PACE in SB 242 and AB 1284

SB 242 (Skinner-Dababneh), signed into law by the Governor, would establish state-of-the-art consumer protections, further setting PACE apart from other forms of financing. The legislation:

- Requires a **recorded, live, confirmation of terms call** between the PACE provider and property owner before they sign their assessment contract, as a reinforcement to the written disclosures.
- Requires that PACE providers who undertake the confirmation of terms call with a property owner in one of the five major non-English languages in California – Spanish, Chinese, Korean, Tagalog and Vietnamese – also provide the property owner with their contractual documents in that language.
- Establishes an **expanded “right to cancel”** for a property owner using PACE, enabling the property owner to cancel their separate home improvement contract if they cancel their PACE financing within their three-day right to cancel – protecting them from being obligated to pay for a project without a viable means of financing.
- Establishes a **ban on compensating contractors beyond the cost of the home improvement project**, as well as prohibiting paying for contractor co-marketing and limiting contractor reimbursements to \$100 for bona fide training expenses.
- Requires contractors to quote a property owner the **same price as cash** for a home improvement project using PACE financing.
- Prevents PACE providers from disclosing to contractors the amount of funds the property owner is eligible for under a PACE assessment.
- Establishes data **reporting requirements to local government partners**, including data that speaks to the projected energy and water savings and local economic and job impacts, as well as on categories of products installed and homeowners served.

AB 1284 (Dababneh-Skinner-Calderon), also signed into law by the Governor, would significantly enhance PACE underwriting, regulate PACE at the state level, and enforce compliance with all PACE laws by PACE administrators and individual contractors. The legislation:

- **Strengthens and standardizes the current underwriting** standards in PACE based on home equity and on-time mortgage and tax payment history; and requires that the most accurate **Automated Valuation Models** are used for establishing the value of the home.
- Establishes new underwriting standards predicated on **income verification and ability-to-pay** to determine that property owners can meet their annual PACE obligation in addition to their current debt obligations and basic household expenses.
- Establishes a **licensing and regulatory framework for the PACE industry in California**, which will be subject to oversight by the California Department of Business Oversight (DBO).

- Requires PACE providers to **undergo background investigations and satisfy net worth requirements in order to obtain a license.**
- Requires PACE providers to enroll and **train home improvement contractors and their individual sales reps;** and holds PACE providers **accountable for screening and monitoring** the contractors and individual sales reps enrolled in their programs.
- Empowers the DBO **with enforcement authority** to take action against PACE providers who do not meet their obligations to promote the interests of consumers, which includes prohibiting PACE providers from working with contractors or individual sales reps who engage in activity harmful to consumers.

A Broad Coalition of Support

The following groups and elected officials have voiced support:

Businesses and Business Associations

- Bay Area Council (1284)
- CalAsian Chamber of Commerce
- California Association of County Treasurers and Tax Collectors (1284)
- California Bankers Association (1284)
- California Building Industry Association
- California Business Properties Association
- California Chamber of Commerce (1284)
- California Credit Union League (1284)
- California Escrow Association (1284)
- California Hispanic Chamber of Commerce (1284)
- California Land Title Association (1284)
- California Mortgage Bankers Association (1284)
- Dividend Solar
- Energy Efficient Equity (1284)
- National Federation of Independent Business

- Orange County Business Council (1284)
- Owens Corning
- PACENation
- Renew Financial
- Renovate America
- TechNet (1284)
- United Trustees Association (1284)

Local Government Organizations

- More than 70 local government elected officials
- California League of Cities
- California State Association of Counties
- Local Government Commission
- Los Angeles County
- Rural County Representatives of California (242)
- South Bay Cities Council of Governments (242)
- Southern California Association of Governments (242)
- Western Riverside Council of Governments (242)

**Renewable Energy/Environmental
Organizations**

- Advanced Energy Economy
 - Brightline Defense
 - Build It Green
 - California Energy Storage Association
 - California Solar Energy Industries Association (CALSEIA)
 - Center for Sustainable Energy
 - Cleantech San Diego
 - Climate Action Campaign
 - Efficiency Demand Management Council (242)
 - Environmental Defense Fund
 - League of Conservation Voters California (242)
 - Natural Resources Defense Council
 - Sierra Club California
 - Vote Solar
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