

Contact: Ellen Qualls, Renovate America  
(858) 605-3985  
[equalls@renovateamerica.com](mailto:equalls@renovateamerica.com)

## **Property Assessed Clean Energy Begins 2017 With New Standards in Place**

*As key California disclosure law takes effect and U.S. Department of Energy best practices become industry norm, leading residential PACE provider launches new contractor management system*

SAN DIEGO, Jan. 10 – Residential Property Assessed Clean Energy (PACE) financing – a California home-improvement innovation that has become one of the fastest-growing forms of financing in America – is starting 2017 with robust consumer protections as the industry norm, including some which go well beyond any other form of consumer financing and actually will raise the bar for how homeowners experience home improvement.

“Over the past year, we’ve seen tremendous leadership at the federal and state level, working with PACE providers to outline consumer safeguards and new, simple, and comprehensive disclosures,” said **Ari Matusiak**, EVP of Market Development and External Affairs at Renovate America, the nation’s leading residential PACE provider. “At Renovate America, we are putting the homeowner at the center of everything we do, and we will continue to work with consumer groups, local communities, industry colleagues, and state and federal regulators to improve PACE and consumers’ experience with home improvement overall.”

Residential PACE financing expands homeowners’ access to financing for energy efficiency, renewable energy and water efficiency improvements, which can increase the value, comfort, functionality, and sustainability of their homes. With PACE financing, property owners make energy- and water-saving and renewable energy improvements and pay for them over time via an additional line item on their property tax bills. PACE helps owners save money on their utility bills by improving access to clean-energy technologies, and PACE supports local economic growth in part by creating jobs that cannot be offshored or automated. Greenhouse gas emissions abatement also helps communities meet carbon-reduction goals.

To date, more than 130,000 home energy and efficiency improvements worth more than \$3.3 billion have been made possible through residential PACE financing across the country. These upgrades are saving homeowners billions of dollars on their utility bills, avoiding millions of tons of greenhouse-gas emissions, and have [created an estimated 33,000 jobs](#), according to industry trade group **PACENation**.

Described by *The Wall Street Journal* as most likely “the fastest-growing type of financing in the U.S.,” PACE is helping both homeowners with high credit scores and those who need access to other financial options to improve their homes. And the underwriting standards on PACE financing are robust: the *Journal*, citing Kroll Bond Rating Agency, Inc., says defaults on PACE bond deals overall are below 1 percent. There have been zero foreclosures initiated by PACE providers, and [the California loan loss reserve](#) – a state pool set up for the PACE industry – has never been tapped. Renovate America’s PACE offering, the [HERO Program](#), has a 98.7 percent on-time repayment rate, and the bank-initiated foreclosure rate on HERO homes is slightly below the California state average.

### PACE CONSUMER PROTECTION POLICIES ADOPTED

The *Journal* notes that Renovate America “has spent the last several months working with consumer groups and regulators to come up with national lending standards for PACE.” PACE providers have put in place stringent consumer protection policies that were [summarized by PACENation](#) and released in 2016. The HERO Program goes even further than the PACENation industry-wide standards, which include:

- **Eligibility Requirements:** Homeowners must be current on their property taxes and all mortgage debt, and must have at least 10 percent equity in their homes in order to qualify for PACE financing. The combined amount of any annual property taxes and assessments cannot exceed 5 percent of the property's fair market value (FMV) at the time the PACE financing is approved. Finally, the total mortgage debt on the property plus the PACE financing must not exceed the property's FMV.
- **Live Confirmation of Term Calls:** Providers must confirm terms of financing by telephone in a live, recorded call before documents are signed for new contractors, as well as for contractors who have some record of complaints, and for homeowners over age 64. *HERO goes well beyond this, with live, recorded Confirm Terms calls for 100% of projects.*
- **Senior Care:** Each PACE provider must have protocols to help ensure that all homeowners aged 64 or older understand finance terms and project specifications.
- **Payment Only Upon Completion:** Homeowners must sign off that the work has been done to their satisfaction before contractors keep the funding.
- **Verified Contractors:** All contractors who make PACE-financed improvements must have an active license and be in good standing with relevant state licensing boards – as well as maintain insurance and an ability to meet bonding requirements. Contractors are also required to complete training courses and follow a code of conduct.

- **Only Efficient Products:** All improvements financed by PACE must be affixed to the home and rated as efficient by the Department of Energy, the Environmental Protection Agency, or a stringent third-party standard.
- **Post-Funding Homeowner Support:** When there are homeowner complaints, PACE providers must track and investigate them, and proactively work with contractors to resolve them. *The support HERO offers does not exist at this level for any other form of consumer lending, with staff making site visits to homes when needed, and completing extensive, in-depth casework to help reach resolution between homeowners and contractors.*
- **Selling and refinancing support:** When homeowners with PACE assessments sell or refinance, PACE providers are expected to provide support to the real estate industry professionals handling the transactions.

### **KNOW BEFORE YOU OWE-STYLE DISCLOSURE LAW TAKES EFFECT**

Renovate America is among the PACE industry leaders who according to *The Wall Street Journal* are taking steps “to strengthen underwriting practices, make loan documents more transparent and boost contractor oversight.” Just as it was the first to offer “confirm terms” calls to 100 percent of its customers, Renovate America also was the first PACE provider to model its written disclosures to customers after the federal [Know-Before-You-Owe mortgage disclosure form](#). The disclosure forms provide an easy way for consumers to see the total principal, interest, and fees they will pay over the life of their PACE assessments.

Renovate America worked with California legislators on a law that mandated specific data points be in written disclosures for all PACE providers in the state, and its HERO Program rolled out the latest disclosures nationwide shortly after Gov. Jerry Brown signed the measure into law in September 2016. The law took effect in California on January 1, 2017.

### **RENOVATE AMERICA TAKES CONTRACTOR MANAGEMENT TO NEW LEVEL**

Renovate America is going well beyond meeting requirements in the PACENation standards for a **contractor management system** by building new data and analytical tools and protocols. While the vast majority of HERO homeowners are satisfied with their contractors – in surveys completed after the project is complete, more than 93 percent of HERO customers say they would recommend their contractor – better data are now driving a better process.

The new system aims to detect patterns and mitigate egregious instances in contractor business practices that violate program standards or laws. Such cases will be investigated by the company's compliance team, which has 250 years of combined prior law enforcement experience and was commended by the FBI for helping put a fraudulent telemarketer in prison in 2015. The contractors are subject to due process, which facilitates a fair and transparent approach to resolving homeowner complaints. As part of due process, contractors may be required to complete re-training and they can be suspended and/or permanently removed from the program. Where appropriate, matters may be escalated to state or law enforcement authorities.

“Unlike other financing options, we really have a unique platform connecting financing, homeowners, and contractors,” said Matusiak. “And we realized we could take an almost-*Moneyball* approach to leverage data in a much more transformational way – really improving the home improvement marketplace for our consumers, and driving more business to the best contractors.”

### **DEPARTMENT OF ENERGY BEST PRACTICES ISSUED**

Renovate America and other leading PACE providers helped inform and are now aligning with [best practices for the residential PACE industry](#) that were issued by the U.S. Department of Energy (DOE) in November 2016. Renovate America's HERO Program already fully meets many of the DOE guidelines, and the company is working to align its program practices with the guidelines going forward.

###

### **About Renovate America**

Renovate America has built a tech-enabled market platform for home improvement and commercial retrofits, and partners with state and local governments to offer communities the HERO Program. HERO is the leading residential Property Assessed Clean Energy program in the U.S. and has financed more than \$2 billion of home improvements. HERO is on track to save its customers nearly \$3.5 billion in energy and water bills, and has created over 17,500 clean-energy jobs. This unique public-private partnership offers consumers access to financing for more than 60 types of products that reduce energy and water consumption, without the need for government funding. The HERO Program has received a number of recognitions including a Climate Leadership Certificate for Innovative Partnerships by the U.S. Environmental Protection Agency, inclusion in the 2016 White House Water Summit, the Governor's Environmental and Economic Leadership Award in California, and the Urban Land Institute Best of the Best. Renovate America has the world's first green bond platform, with a volume of originations that enables securitization of HERO PACE bonds multiple times a year, attracting international investment to meet U.S. clean energy objectives.