



Property Assessed Clean Energy PACE Suitability Self-Evaluation Fact Sheet

PACE - The Construction Loan Repayment Plan

The PACE program is supposed to provide an innovative re-payment mechanism for financing energy efficient and renewable energy improvements on private property. PACE loans offer up-front financing, with interest, for energy-efficient home improvements. The PACE loan is paid off through a special property tax assessment.

Senior Homeowner Alert

Abusive lending practices and fraud is occurring with PACE loans made to older homeowners. PACE loans offer few consumer protections and are aggressively marketed to seniors who may not realize the true costs of the loan. These abuses can lead to default and foreclosure.

Suitability Fact Sheet

The CANHR Self-Evaluation Fact Sheet highlights some of the negative consequences associated with suitable PACE loans. Seniors are encouraged to work through the self-evaluation questions before signing any agreements. Seniors need to guard against unscrupulous construction contractors who may manipulate the homeowner into high-cost financing for unnecessary or unsuitable home improvements. Senior homeowners are encouraged to explore alternative low-cost or free weatherization and related programs that may exist in your city or county.

What is meant by Suitability?

Suitability is subjective and requires an evaluation of a number of factors. It is safe to say that a PACE loan is only suitable when it does not negatively affect the financial well-being and quality of life. You are encouraged to consider the information on this worksheet, then determine for yourself whether or not PACE is the right solution for your needs.

PACE Financing

PACE financing can only be for less than 15 percent of the value of the property, up to the first \$700,000 inclusive of the existing assessments, and is for less than 10 percent of the remaining value of the property above \$700,000.

1. With PACE, building contractors are paid by a finance company for their work.
2. The finance company, in turn, is paid back by the local government.
3. The local government, in turn, recoups the money given to the finance company by reassessing the homeowner's property.
4. The assessment is then added to the homeowners' property tax bill.
5. The homeowner pays the local government through the scheduled biannual tax statements

PACE and the Risk of Foreclosure

If PACE borrowers fail to pay the property assessment when due, they risk foreclosure and the potential loss of their home.

Assessment Contracts

A PACE assessment contract is an agreement between the property owner and the county where the county agrees to provide financing for construction improvements and in return the county will be reimbursed by raising the homeowner's property tax. To qualify, the property owner has to be current on all property debt and has not been a party to any bankruptcy within the last four years. The assessment contract cannot contain a penalty for the early repayment of an amount owed under the contract. A property assessment contract will not be allowed where there is a reverse mortgage.

Disclosures

A homeowner is to be offered a written PACE disclosures prior to consummating the assessment contract. The disclosures inform the home owner about the cost of the project, the financing estimate, tax information and a notice of the statutory penalties for failing to promptly make the required payments.

PACE Interest Rates

PACE financing typically carries interest rates of 6.5 to 8.5 percent with additional administrative fees close to 5 percent, which is higher than the average for a home equity loan.

- a. What is your current income from all sources? \$ _____
- b. Can you afford to keep up with the PACE interest payments? No ___ Yes ___
- c. If b. was "No", then is it possible to raise your income level? No ___ Yes ___

Term of the PACE Loan

A PACE loan is usually set for a term of 15 to 20 years, but can have a term as long as 25 to 30 years.

- a. The annual cost under the assessment contract including applicable fees. \$ _____
- b. How many years do anticipate living in the home? _____
- c. How many years will your PACE loan be in existence? _____

PACE Savings

Not all energy improvement results in sufficient energy savings to offset the high cost of the PACE loan.

- a. What are your current annual energy expenses \$ _____
- b. What is the projected annual PACE energy cost saving \$ _____
- c. What will be the annual PACE loan property tax payment? \$ _____
- d. Will the energy savings exceed the increase in your property taxes? No ___ Yes ___

PACE and Property Taxes

Have you calculated the costs and consequences of assuming an increased payment obligation on your property tax bill? PACE loans are property tax liens that take priority over mortgages. After getting a PACE loan, your county property tax bill will include an additional installment payment for the PACE lien.

- a. What is your current annual property tax bill? _____
- b. How much will your PACE loan increase your annual property tax bill? \$ _____
- c. Will your increased property tax rate affect your economic well-being? No ___ Yes ___
- d. If you answered "Yes", then how that will the increased tax affect your quality of life:
 1. It will greatly affect quality of life No ___ Yes ___
 2. It will moderately affect the quality of life No ___ Yes ___
 3. It will have a minor effect on the quality of No ___ Yes ___

PACE Property Liens

PACE creates a lien on your home. The lien remains during the term of the assessment contract and the contractual obligations may have to be paid in full before you sell or refinance the property.

Paying off PACE

When the property assessment is paid off, any fees or prepayment penalties must also be paid.

- a. Do you have resources to pay off the PACE loan? No ___ Yes ___
- b. If "Yes" describe your assets and estimate their current value

_____ \$ _____
_____ \$ _____
_____ \$ _____

What are the long-term risk assessment of the resources you listed above?

- i. Percentage that is conservatively invested _____%
 - ii. Percentage that is moderately invested _____%
 - iii. percentage that is aggressively invested _____%
- =100%

c. If “No” list the resources you will need in order to pay off the PACE loan.

d. If you answered “No” to question b., do you feel confident that in the future you will have the resources to pay off the PACE loan? No ____ Yes ____

How does PACE impact the sale of your home?

The PACE loan “runs with the property,” meaning the loan stays with the property even after it’s sold, so it can impact the potential sale of the property. Certain types of loans are not available for properties subject to a PACE lien. A subsequent purchaser can reject the presence of a PACE payment obligation and insist that the seller pay off the PACE assessment or lower the sale price to compensate for the PACE-imposed tax assessments. Having a PACE loan can also affect the ability to refinance your home.

Seniors, Protect Yourself from PACE Predators

Lap Top Tricksters

Beware of the “E signing” document. Know that an unscrupulous contractor will have covered their tracks by using laptop generated documents that seniors will “electronically sign.” The homeowner will have no “hard copies,” and their e-signed contracts will be manipulated and used as the predator’s defense if they are ever sued.

Seniors Homeowners Need to Know

- Senior homeowners need to know that they are being targeted by high-pressure door-to-door salespeople.
- Senior homeowners need to that unscrupulous contractors may overstate the benefits of PACE and exaggerate promises of enhanced energy efficiency, water savings, and added property value.
- Senior homeowners need to that an unscrupulous PACE predators will misrepresent “tax deductions” for energy-efficient upgrades that have strict eligibility requirements and little or no benefit for low-income homeowners.
- Senior homeowners need to that unscrupulous contractors may overstate your reduced carbon footprint, or give false or misleading information about tax-deductible interest, and transfer of balance to new property owners.
- Senior homeowners need to that an unscrupulous contractor will know the maximum PACE loan ceiling for a particular homeowner and upsell them on unnecessary home improvements.
- Senior homeowners need to that it will be months before the homeowner knows they have been deceived because of the lag time between when the predator’s work is finished, and PACE assessment appears on their bi-annual tax bill.
- **Seniors need to know that the PACE program provides little recourse for swindled homeowners.**

COMPLAINTS

- Consumer Financial Protection Bureau
<https://www.consumerfinance.gov/complaint/>
- Contractors State License Board (800) 321-2752
- Your County District Attorney Office