

## What is a PACE Loan?

Property-Assessed Clean Energy (PACE) loans are intended to help homeowners finance energy-efficient improvements to their homes, like solar panels and air conditioners. PACE loans are offered by Renew Financial, PACE Funding Group (also known as Home Run Financing), and FortiFi. They were formerly offered by Ygrene and WRCOG/HERO. Widespread issues related to how the loans are marketed and structured have caused serious problems for many California homeowners. They are secured through a lien and are added to a homeowner's property tax payments. A PACE loan takes priority over any existing lien, so if you do not pay, you risk losing your home.

## What to keep in mind when you are considering a PACE Loan:

There are often cheaper and less risky options than PACE loans. PACE loans generally have higher interest rates than loans with a comparably low risk of default. You should investigate options that do not put your home at risk like traditional home improvement loans or state weatherization programs before proceeding with a PACE loan. Your property may be eligible for a Residential Energy Efficiency Loan (REEL) that does not put a lien on your property.

## About Us

Housing and Economic Rights Advocates (HERA) is a non-profit legal services organization dedicated to helping individuals and families with their consumer debt and credit issues. HERA is available to help you review and understand your home improvement financing options. Feel free to contact HERA about any issues related to financing and PACE loans.

## Contact Us



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# HERA

housing and  
economic  
rights advocates

## Home Energy Improvement Loans and PACE Loans



Better ways to finance home energy upgrades, find more information at:

[gogreenfinancing.com/residential](http://gogreenfinancing.com/residential)

Other options, particularly for solar panels, are explained in the California Solar Consumer Protection Guide available online at:

[cpuc.ca.gov](http://cpuc.ca.gov) › [solarguide22\\_011922](http://solarguide22_011922)

## **Beware of misleading sales pitches.**

Door-to-door salespeople and telemarketers may try to lure you in with promises of a tax refund and may not disclose that the work will be financed by a PACE loan. Before signing any paperwork be sure to ask for full written disclosure of the terms of the financing in your primary language. Make sure you know the terms of any loan before you agree to it, including the interest rate, amount financed, total amount to be paid, and the amount of the monthly payments (or property tax increase in the case of PACE loans). You are entitled to ask for hard copies to review, even if you are signing the documents electronically.

## **Failing to pay back your PACE Loan can result in foreclosure.**

PACE loans can increase your annual property taxes by thousands of dollars. Failure to pay your taxes can lead to the forced sale of your house after five years. Some borrowers pay their property taxes as part of their monthly mortgage payment.

A PACE loan can increase your monthly mortgage by hundreds of dollars. If you are unable to pay and fall behind, your lender may foreclose.

## **PACE loans can interfere with home sales and refinancing.**

Many lenders will not allow you to sell or refinance unless you pay off the entire PACE loan.

## **You are NOT required to hire the contractor who told you about the PACE program.**

PACE programs use home improvement contractors as the salespeople for the loan. A contractor who tells you about PACE loans may not tell you that you can hire someone else to install the energy-efficient equipment. You should check with neighbors, family and friends for referrals to reputable contractors, or ask for references and review work they have performed on other homes. Remember that you have options and can choose the contractor, as well as other options for paying for the work.

## **Always make sure that the contractor you hire is licensed and legitimate.**

Use the Contractor State Licensing Board's website to verify that the contractor you hire to install your PACE improvements is following state law. You can check the status of a contractor's license at [www.cslb.ca.gov](http://www.cslb.ca.gov)

## **Don't sign any paperwork certifying the contractor's work until it is completed.**

You must certify that the work was complete before the contractor can get paid from a PACE loan. Be sure that the work is actually finished and the improvements work before signing any certificate of completion. Make sure you receive copies of any document you sign.

## **Additional Consumer Protections and Regulation by the California Department of Financial Protection and Innovation (DFPI).**

Additional consumer protections took effect in 2018 and 2019, including requirements that PACE lenders consider a homeowners ability to repay the loan, conduct a terms confirmation call with the borrower before the loan is made, provide additional disclosures about the loan, and translate the loan documents if it was negotiated in the borrower's primary language (for Spanish, Chinese, Tagalog, Vietnamese, and Korean speakers). DFPI will investigate complaints against PACE programs for loans that were made on or after January 1, 2019, and can be contacted at 1-866- 275-2677. Complaints can be filed online at <https://docqnet.dfpi.ca.gov/complaint-pace/> Consumer advocates are also pushing for the creation of a PACE Restitution Fund to provide relief to homeowners harmed by PACE who have no other recourse.