



CALIFORNIA ASSOCIATION OF REALTORS®

January 8, 2018

Commissioner Jan Owen
Department of Business Oversight, Legal Division
Attn: Mark Dyer, Regulations Coordinator
1515 K Street, Suite 200
Sacramento, CA 95814-4052

**Re: Response to Invitation for Comments on Proposed Rulemaking Implementation of AB 1284;
Licensure of PACE Program Administrators under the California Financing Law.**

Dear Commissioner Owen,

Thank you for the opportunity to provide comments regarding regulation of PACE Program Administrators. The CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.) seeks to be a valuable contributor in the development of these regulations. C.A.R. does not oppose the PACE program which provides homeowners with an alternative means of financing for energy and water improvements. However, it is critical that this regulatory scheme implement strong safeguards to protect homeowners from the unfair business practices, which often target seniors and other vulnerable groups, that have emerged since the launch of the program.

REALTORS® who deal with homeowners as part of their careers have seen firsthand the negative aspects of the PACE program. Specifically:

Misrepresenting the likelihood of transferability. PACE providers will often tell homeowners that the PACE lien will transfer to a new buyer when the property is sold. However, because of FHA and FHFA policies, that is rare. Typically, the lien will need to be paid off. As a result, homeowners who may need to sell their homes end up with less equity than they expected, or the sale of the home becomes uneconomical.

Misrepresenting the impact of an improvement on the home's value. A PACE financed improvement may or may not increase the value of a home or make it more desirable. However, representations are often made that a PACE improvement will do so when it will not, or it is very uncertain.

Homeowners often do not fully understand how the financing works. Many homeowners do not fully understand how PACE financing and the accompanying liens work and it is not properly explained to them. As a result, homeowners end up with PACE liens which cause them considerable hardship and the risk of loss of their homes. Typical examples seen by REALTORS® include:

- Homeowners with impound accounts who did not understand that their monthly payments would go up because of the PACE assessment.
- Homeowners who did not understand that such liens could affect their ability to refinance their property because many lenders will not refinance a property with a PACE lien
- Homeowners who do not understand the issues of lien priority or how a PACE lien is related to their mortgage lien.



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C.A.R. will likely have specific substantive comments once an initial draft of the regulations is released, but in the interim, we appreciate consideration of the recommendations of the larger coalition of consumer groups and bankers that C.A.R. has contributed to, and endorsed.

C.A.R. thanks the Department for its work on these matters and looks forward to continuing to work with the Department and staff to resolve concerns regarding the forthcoming regulations. Please do not hesitate to contact us for further assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read "Sanjay Wagle", written in a cursive style.

Sanjay Wagle
Director of Public Policy