

DEPARTMENT OF BUSINESS OVERSIGHT*Ensuring a Fair and Secure Financial Services Marketplace for all Californians***JAN LYNN OWEN****Commissioner of Business Oversight****For Immediate Release**

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Governor Brown signs nation's toughest PACE consumer protections

SACRAMENTO – Gov. Edmund G. Brown Jr. has signed legislation that establishes the nation's most extensive set of consumer protections for California homeowners who finance energy-efficiency improvements through the Property Assessed Clean Energy, or PACE program.

The legislation – AB 1284 by Assemblyman Matt Dababneh, D-Woodland Hills, and SB 242 by Sen. Nancy Skinner, D-Berkeley – gives the California Department of Business Oversight (DBO) broad new authority to enforce the consumer protections and regulate the growing PACE marketplace.

“These measures provide a solid licensing and oversight scheme to regulate this industry,” DBO Commissioner Jan Lynn Owen said. “PACE programs have flourished, contributing substantial environmental benefits along the way. But there has been no regulatory oversight to police fraudulent and abusive practices by a few bad actors.

“These abuses threaten the program's reputation, its long-term viability and its renewable energy accomplishments,” Owen said. “Statewide oversight is necessary to sustain the industry and protect the thousands of homeowners who sign PACE contracts.”

The legislation:

- Requires PACE program administrators (the dozen or so companies that arrange PACE financing) to be licensed by the DBO.
- Requires PACE program administrators to supervise PACE solicitors and solicitor agents.
- Authorizes the DBO to conduct investigations and examinations, and bring enforcement actions – including suspensions or banishments from the industry – against PACE administrators, solicitors and solicitor agents.
- Requires program administrators to determine that a property owner has a reasonable ability to pay the annual obligations of a PACE contract.
- Prohibits program administrators from making materially false or misleading statements or representations to a property owner about the terms or conditions of a PACE contract.
- Requires PACE solicitors and solicitor agents to be licensed by, or registered with, the Contractors State Licensing Board, unless otherwise exempt.
- Prohibits PACE solicitors and solicitor agents from offering a PACE contract that omits terms, conditions or disclosures required by law.
- Prohibits a program administrator from approving an assessment contract if a property has outstanding liens of more than \$1,000, if the property owner has been subject to a bankruptcy hearing in the past seven years or if the property owner is behind on his or her mortgage payments.

Most of the consumer protections required of PACE program administrators, solicitors and solicitor agents take effect on April 1, 2018. The licensing and DBO regulatory authority take effect on Jan. 1, 2019.

Since their introduction in Berkeley in 2007, PACE programs have financed nearly \$4 billion worth of energy-efficiency projects in California, the most of any state, according to PACENation, a national trade association.

The DBO licenses and regulates more than 360,000 individuals and entities that provide financial services in California. The DBO's regulatory jurisdiction extends over state-chartered banks and credit unions, money transmitters, securities broker-dealers, investment advisers, non-bank installment lenders, payday lenders, mortgage lenders and servicers, escrow companies, franchisors and more.

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