



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

RE: COMMENTS ON PROPOSED RULEMAKING IMPLEMENTATION OF AB 1284

January 5, 2018

General Comments:

- As an experienced lender in residential efficiency and renewable energy improvements, Spruce welcomes DBO oversight of PACE financing programs. Given existing relationship with the DBO (via Spruce Lending), we look forward to offering our consumer lending and credit expertise throughout the rulemaking process, and welcome the opportunity for further collaboration with DBO.

Ability to Pay Determination

- The requirement referenced below feels overly specific. We believe income reported by the property owner and the debt obligations that appear on the credit bureau should be sufficient.
 - *Require a program administrator to determine, prior to funding and recordation by a public agency of the assessment contract that the property owner has a reasonable ability to pay the annual payment obligations for the PACE assessment based on the property owner's income, assets, and current debt obligations. The determination process must be based on the following factors:*
 - *The property owner's monthly income and housing expenses, as submitted by the property owner on their application;*
 - *Housing expenses, including all mortgage and interest payments, insurance, and property taxes, as specified; and,*
 - *Debt obligations, as specified*
- We do not believe it is necessary to verify income in all situations based on our other lending experience. This applies to the following requirements:
 - *Require the program administrator to ask the property owner open ended questions during a confirmed terms call to verify stated income.*



- *Require the program administrator to determine and consider a property owner's current or reasonably expected income or assets, that the program administrator relies on, using reasonably reliable third-party records, in order to determine a property owner's ability to pay the PACE assessment annual payment obligations.*
- *Authorize the program administrator to use automated verification provided the source of verification is specific to the income of the property owner and not based on predictive or estimation methodologies, and has been determined sufficient for verification purposes by a federal mortgage lending authority or regulator, and provide examples of the records the program administrator may use to verify the property owner's income or assets, as specified.*
- Obtaining an MCR or RMCR should not be required. We believe one major bureau credit report is sufficient in most cases.
 - *Require a program administrator to consider the monthly debt obligations of the property owner to determine a property owner's ability to pay the annual payment PACE assessment obligations using reasonably reliable third-party records, including one or more consumer credit reports from specified agencies. Program administrators must use at least a two-file Merged Credit Report (MCR) or a Residential Mortgage Credit Report (RMCR). Monthly debt obligations include, but are not limited to, all secured and unsecured debt, alimony, child support, and monthly housing expenses.*

Contractor Management & Training

- While Spruce believes that comprehensive contractor training is a critical component to administering a responsible PACE program, we believe the six-hour training requirement is extensive, especially if six hours of training is required for each program in which a contractor participates.