



STATE OF CALIFORNIA

Department of Business Oversight

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California PACE Contracts Exceeded \$362 million in 2019

SACRAMENTO – California’s residential PACE program executed 12,335 home improvement contracts worth more than \$362 million in 2019, according to a Department of Business Oversight [report](#) that details the industry’s first year under a comprehensive new regulatory regime.

To secure the PACE funding, homeowners paid more than \$83 million – or nearly 23 percent of the amount financed – in fees and other charges including interest. Annual Percentage Rates (APRs) ranged from 8 percent to 12 percent for nearly 7,899 or 64 percent of the contracts. The balance of the PACE contracts had APRs of 8 percent or less.

The five PACE program administrators licensed under the new law reported collecting \$62.5 million – 17 percent of the amount financed – in gross income for the year, according to industry data compiled in a new section of the annual California Financing Law report.

The PACE, or Property Assessed Clean Energy, program provides financing for energy-efficient home improvements. The funding is repaid through increased property tax assessments. In a measure of the program’s environmental benefits, the industry estimated projects funded in 2019 will reduce greenhouse gas emissions by 277,644 kilotons.

“This report establishes the baseline for a new PACE law that sought to establish reasonable guardrails for a program that finances and encourages home improvements that contribute to the fight against climate change,” DBO Commissioner Manuel P. Alvarez said.

Introduced in Berkeley in 2007, PACE programs flourished in California, generating more than \$4 billion in contracts by 2017, according to PACENation, a national trade association. The rapid expansion occurred, however, with no regulatory oversight to police fraudulent and abusive practices that forced homeowners into foreclosure when they were unable to pay the increased tax assessments.

Legislation passed in 2017 requires PACE program administrators, the companies that arrange PACE financing, to be licensed by the DBO and authorizes the department to conduct investigations and examinations, and bring enforcement actions against PACE program administrators, solicitors and solicitor agents.

The law also requires program administrators to determine that a property owner has a reasonable ability to pay the increased tax assessment from a PACE contract and gives homeowners three days to cancel a signed contract. In 2019, 593 PACE contracts were canceled within that three-day period, the report noted.

The DBO examined two of the five licensed program administrators in 2019. Those examinations identified 16 violations, which included providing false and misleading information and failing to determine if a homeowner had the ability to pay the PACE assessment. The DBO also received 157 PACE-related complaints during the year. More than 100 of those involved payment disputes and alleged unethical behavior.

The report also found that:

- PACE contracts created 3,254 jobs.
- The five PACE program administrators employed more than 57,000 PACE solicitors and solicitor agents.
- The five PACE program administrators reported nearly \$10 million in delinquent and more than \$5 million in defaulted PACE assessments. Those figures, however, could include PACE contracts executed prior to 2019 and do not include delinquent or defaulted assessments associated with PACE companies that no longer offer residential PACE financing in California.

In addition to the PACE industry, the DBO licenses and regulates financial services, including state-chartered banks and credit unions, student loan servicers, money transmitters, securities broker-dealers, investment advisers, nonbank installment lenders, payday lenders, mortgage lenders and servicers, escrow companies, and franchisors.

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