

**Golden State Finance
Authority (GSFA)
Executive Committee Meeting**



**Wednesday, July 13, 2016
11:30 A.M.**

**1215 K Street, Suite 1650
Sacramento CA 95814
916-447-4806**

**Golden State Finance Authority (GSFA)
Executive Committee Meeting
1215 K Street, Suite 1650
Sacramento, CA 95814**

July 13, 2016 – 11:30 a.m.

Executive Committee Members:

Supervisor John Viegas, Glenn County
Supervisor Bob Williams, Tehama County
Supervisor Rex Bohn, Humboldt County
Supervisor Lee Adams, Sierra County
Supervisor Kevin Cann, Mariposa County

Supervisor John Fenley, Trinity County
Supervisor Kevin Goss, Plumas County
Supervisor Diane Dillon, Napa County
Supervisor Randy Hanvelt, Tuolumne County
Supervisor John Pedrozo, Merced County

Agenda

- I. Call to Order and Determination of Quorum**
Chair, Supervisor Kevin Cann, Mariposa County
- II. Approval of Minutes of the May 11, 2016 Meeting**
(Board Members absent from the meeting will be recorded as abstained unless the Board Member indicates otherwise) **Page 1**
- III. Member County Concerns**
- IV. Public Comment**
At this time any member of the public may address the Board. Speakers are asked to state their name for the record. Comments are usually limited to no more than 3 minutes per speaker.
- V. Quarterly Reports for GSFA** (Discussion and possible action relative to)
Greg Norton, Executive Director
Lisa McCargar, Chief Financial Officer
 - a. Budget Report for the Five Months Ended May 31, 2016** **Page 5**
 - b. May 31, 2016 Investment Report** **Page 9**
 - c. Cash and Securities Asset Report (June 30, 2016)**
- VI. Business and Administrative Matters** (Discussion and possible action relative to)
Greg Norton
Craig Ferguson, Vice President
 - a. Resolution 15-09 Amendment: Disaster Relief Assistance – ACTION** **Page 13**
 - b. PACE Consumer Protection Policies - ACTION** **Page 17**
 - c. PACE Program Complaint – Information Only** **Page 103**
- VII. Program Updates** (Discussion and possible action relative to)
Greg Norton
Craig Ferguson

VIII. Adjournment

Meeting facilities are accessible to persons with disabilities. By request, alternative agenda document formats are available to persons with disabilities. To arrange an alternative agenda document format or to arrange aid or services to modify or accommodate persons with a disability to participate in a public meeting, contact Sarah Bolnik by calling (916) 447-4806 at least 48 hours before the meeting.

Agenda items will be taken as close as possible to the schedule indicated. Any member of the general public may comment on agenda items at the time of discussion. In order to facilitate public comment, please let staff know if you would like to speak on a specific agenda item. The agenda for this meeting of the Executive Committee of the Golden State Finance Authority was duly posted at its offices, 1215 K Street, Suite 1650, Sacramento, California, 72 hours prior to the meeting.

**Golden State Finance Authority (GSFA)
Executive Committee Meeting
1215 K Street, Suite 1650 Board Room
Sacramento, CA 95814
(916) 447-4806**

May 11, 2016 – 10:00 a.m.

Executive Committee Members:

Supervisor Kevin Cann, Mariposa County
Supervisor Randy Hanvelt, Tuolumne County
Supervisor John Viegas, Glenn County
Supervisor Bob Williams, Tehama County
Supervisor Rex Bohn, Humboldt County

Supervisor John Pedrozo, Merced County
Supervisor Diane Dillon, Napa County
Supervisor Kevin Goss, Plumas County
Supervisor Lee Adams, Sierra County
Supervisor John Fenley, Trinity County

Minutes

Call to Order and Determination of Quorum

GSFA and NHF Vice Chair, Supervisor Randy Hanvelt, Tuolumne County, called the simultaneous meeting of the Golden State Finance Authority Executive Committee and the National Homebuyers Fund Board of Directors to order at 10:01 a.m. A quorum was determined at that time; those present were as follows:

<u>Supervisors in Attendance</u>	<u>County</u>
John Viegas	Glenn
Diane Dillon	Napa
Kevin Goss	Plumas
Bob Williams	Tehama
John Fenley	Trinity
Randy Hanvelt	Tuolumne

Absent Members

Rex Bohn	Humboldt
Kevin Cann	Mariposa
John Pedrozo	Merced
Lee Adams	Sierra

Others in Attendance

Greg Norton, Executive Director
Patricia Megason, Deputy Director
Lisa McCargar, RCRC Chief Financial Officer
Craig Ferguson, RCRC Vice President
Sarah Bolnik, RCRC Office Manager
Terrance Rodgers, RCRC Economic Development Officer
Sanjay Lee, RCRC Accountant
Elizabeth Jensen, RCRC Accountant
Paul A. Smith, RCRC Senior Legislative Advocate

Jim Lanzarotta, Moss Adams
Shannon Avrett, Moss Adams
Scott McKinley, Renovate America
J.P. McNeill, Renovate America
Robert Bendorf, Renovate America
Cliff Staton, Renew Financial
Scott Rogers, Ygrene

Special Order of Business:

2015 Annual Audit Exit Conference and Financial Statements

Lisa McCargar, Chief Financial Officer, introduced Moss Adams, GSFA's independent auditors, including Jim Lanzarotta, Partner, and Shannon Avrett, Senior Manager. Ms. Avrett provided the GSFA Executive Committee with an overview of their audit procedures, as well as a summary of the financial statements, and delivered the required communications to Those Charged with Governance. Mr. Lanzarotta stated that GSFA received an unmodified "clean" opinion, that there were no significant matters identified that should be brought to the attention of the Executive Committee and no audit adjustments were proposed or made. Mr. Lanzarotta also indicated that the audit included an analysis GSFA's affiliated entities and component unit reporting standards. No modifications were made to management's treatment of the affiliated entities as separate, unconsolidated reporting units.

The GSFA Executive Committee then met privately with Ms. Avrett and Mr. Lanzarotta, using this as an opportunity to ask questions without GSFA's officers present. The meeting began at 10:47 a.m. and concluded at 11:07 a.m.

Recommendation:

It is recommended that the GSFA Executive Committee, acting in their function as the Audit Committee, review and approve the 2015 audited financial statements and information letter as presented for presentation to and adoption by the GSFA Board of Directors.

Supervisor Kevin Goss, Plumas County, motioned to approve the 2015 financial statements and information letter as presented. Supervisor John Fenley, Trinity County, seconded the motion. Motion unanimously passed.

At 11:27 a.m., the simultaneous meeting of the GSFA Executive Committee and the NHF Board of Directors was adjourned.

At 11:28 a.m., the GSFA Executive Committee Meeting was convened.

Approval of Minutes of the February 17, 2016 Meeting

(Board Members absent from the meeting will be recorded as abstained unless the Board Member indicates otherwise)

Supervisor Bob Williams, Tehama County, motioned to approve the minutes of the February 17, 2016 GSFA Executive Committee Meeting. Supervisor John Viegas, Glenn County, seconded the motion. Motion passed.

Vice Chair, Supervisor Randy Hanvelt, informed the GSFA Executive Committee that item 6.a. regarding PACE Consumer Protection Policies has been removed from the agenda.

Member County Concerns

None

Public Comment

Cliff Staton, Executive Vice President, Renew Financial; J.P. McNeill, Chief Executive Officer, Renovate America; and Scott McKinley, Executive Vice President, Renovate America, addressed the GSFA Executive Committee in regards to the Consumer Protection Policies (CPP) for the PACE program. Their comments focused on creating an industry standard for all PACE program providers and their request the Executive Committee not approve the GSFA CPP as included in the packet.

Quarterly Budget and Investment Reports for GSFA

Lisa McCargar, Chief Financial Officer, presented the GSFA Quarterly Investment Report, the Budget Report, and the Cash and Securities Asset Report for the period ending March 31, 2016.

Program Updates

Craig Ferguson, RCRC Vice President, provided an update on the multifamily program, the PACE Program, the Infrastructure Finance Program, and the Mortgage Credit Certificate allocation for GSFA.

Adjournment

Vice Chair, Supervisor Randy Hanvelt, Tuolumne County, adjourned the meeting of the GSFA Executive Committee at 11:45 a.m.



Golden State Finance Authority (GSFA)
1215 K Street, Suite 1650 · Sacramento, California 95814
Phone: (855) 740-8422 · Fax: (916) 444-3219 · www.gsfahome.org

To: GSFA Executive Committee
From: Greg Norton, Executive Director
Lisa McCargar, Chief Financial Officer
Date: July 6, 2016
Re: Budget Report for the Five Months Ended May 31, 2016

Summary

The Statement of Revenues and Expenses for GSFA provides a budget to actual comparison for the five months ended May 31, 2016.

Attachment

- GSFA Statement of Revenues and Expenses, Budget vs. Actual, for the Five Months ended May 31, 2016

GOLDEN STATE FINANCE AUTHORITY
Statement of Revenue and Expenses
Budget Vs. Actual - Unaudited
For the Five Months Ended May 31, 2016

	2016 Annual Budget	Five Months Ended May 31, 2016 Budget	Five Months Ended May 31, 2016 Actual	Varalance Favorable/ (Unfavorable)	Percent Favorable/ (Unfavorable)
Income:					
Housing Program Revenue	\$ 31,095,000	\$ 12,956,250	\$ 22,353,638	\$ 9,397,388	72.53%
Energy Program Revenue	745,000	310,415	972,313	661,898	213.23%
Grant Reimbursed Costs	345,000	143,750	131,442	(12,308)	-8.56%
Interest Income and Capital Gain/(Loss)	145,000	60,415	151,366	90,951	150.54%
Ongoing Issuer Fees	10,000	4,165	4,908	743	17.84%
2nd Mortgage Interest	496,000	206,665	202,993	(3,672)	-1.78%
Miscellaneous Income	20,000	8,335	-	(8,335)	-100.00%
Total Income	\$ 32,856,000	\$ 13,689,995	\$ 23,816,660	\$ 10,126,665	343.81%
Expenditures:					
Accounting & Auditing	\$ 29,200	\$ 12,165	\$ 20,649	\$ (8,484)	-69.74%
Business Development and Expansion	100,000	41,665	23,204	18,461	44.31%
CDLAC fees	50,000	20,835	-	20,835	100.00%
Community Relations	15,000	6,250	170	6,080	97.28%
Custodian/Trustee	50,000	20,835	-	20,835	100.00%
Consultants	84,000	35,000	35,000	-	0.00%
Contract Labor - Temps	10,000	4,165	-	4,165	100.00%
Contract Performance Fee	1,189,500	495,625	-	495,625	100.00%
Grant Costs	345,000	143,750	131,442	12,308	8.56%
Insurance	37,700	15,710	16,571	(861)	-5.48%
Infrastructure Program	200,000	83,335	60,000	23,335	28.00%
Legal Services	125,000	52,085	22,493	29,592	56.81%
Loan Losses	150,000	62,500	51,967	10,533	16.85%
Multi Family Bonds	10,000	4,165	-	4,165	100.00%
Gift Program	25,000,000	10,416,665	19,817,023	(9,400,358)	-90.24%
Grant Fund - California Disaster Assistance	1,000,000	416,665	-	416,665	100.00%
Pipeline Services	180,000	75,000	88,750	(13,750)	-18.33%
DPA Program Management	2,000,000	833,335	1,661,384	(828,049)	-99.37%
Printing and Duplication	1,000	415	-	415	100.00%
Promotion and Marketing	75,000	31,250	22,996	8,254	26.41%
Rent	67,950	28,315	28,404	(89)	-0.31%
Contract Support Services	2,023,100	842,960	842,958	2	0.00%
Sponsorships	50,000	20,835	26,950	(6,115)	-29.35%
Board Member Travel and Reimbursements	15,000	6,250	-	6,250	100.00%
Travel	10,000	4,165	7,354	(3,189)	-76.57%
Other Expenses	38,000	15,830	7,420	8,410	53.13%
Total Expenditures	\$ 32,855,450	\$ 13,689,770	\$ 22,864,735	\$ (9,174,965)	-67.02%
Net Revenues Over Expenditures	\$ 550	\$ 225	\$ 951,925	\$ 951,700	422978%

7/5/2016 9:45 AM



Golden State Finance Authority (GSFA)
1215 K Street, Suite 1650 · Sacramento, California 95814
Phone: (855) 740-8422 · Fax: (916) 444-3219 · www.gsfahome.org

To: GSFA Executive Committee
From: Greg Norton, Executive Director
Lisa McCargar, Chief Financial Officer
Date: July 6, 2016
Re: May 31, 2016 Investment Report

Summary

In accordance with GSFA's investment policy, we are providing the May 31, 2016 investment report. This report provides a summary of year-to-date investment transactions through the five months ending May 31, 2016. In addition, the report provides the returns by investment type and a comparison to the 90 day Treasury Rate.

The CalTRUST yields are the funds' reported May 31st yields. The LAIF return is the fund's May 31st apportionment rate.

Attachment

- GSFA Investment Report – Five Months Ended May 31, 2016

GOLDEN STATE FINANCE AUTHORITY
Investment Report
As of and for the Five Months Ended May 31, 2016

	Total	CalTRUST Short-Term	CalTRUST Medium-Term	LAIF
Balance 3/31/16	\$19,537,847	\$7,418,934	\$11,934,700	\$184,213
Additions	-	-	-	-
Withdrawals	-	-	-	-
Interest (accrued)	28,744	8,786	19,744	213
Capital Gain/(Loss)	(11,838)	-	(11,838)	-
Balance 5/31/16	\$19,554,753	\$7,427,720	\$11,942,606	\$184,426

Yield:

	Short Term	Mid Term	LAIF*
Annualized One Year	0.58%	0.92%	0.46%
Average Maturity (days)	408	740	146
90 Day Treasury Bill Rate	0.34%		

All current cash investments are held in either California Treasurer's Local Agency Investment Fund (LAIF) or CalTRUST's Short-Term Fund or Medium-Term Fund. Cash in the LAIF fund and the CalTRUST Short-Term Fund may be accessed within 24 hours. Cash in the CalTRUST Medium-Term Fund may be accessed at the end of each month.

No members of the Investment Committee have any conflict of interest with any current investment firms.

Purpose of transactions in excess of \$1 million:

-None

To: GSFA Executive Committee
From: Greg Norton, Executive Director
Craig Ferguson, Vice President
Date: July 6, 2016
Re: Resolution 15-09 Amendment: Disaster Relief Assistance - **ACTION**

Summary

In 2015, two of the Golden State Finance Authority's member counties, Calaveras and Lake, suffered devastating wildfires which resulted in a large number of residences being destroyed. As a result of the Butte Fire (Calaveras) and the Valley Fire (Lake), nearly 2,000 homes have been deemed destroyed. Both the Butte and Valley fire are state and federally declared disasters.

Issue

At the December 9, 2015 GSFA Board Meeting, the Board approved allocating \$1.5 million in disaster funding to provide assistance to these member counties and residents. Of this amount, \$500,000 (\$350,000 to Lake and \$150,000 to Calaveras) was provided directly to the counties for direct assistance for the costs of providing temporary housing and/or shelter to individuals and families that have been displaced due to the loss of their residence from the fires.

The Board approved the remaining \$1 million of appropriated funds to be provided to individuals and families through a program to be established by GSFA. In order to more effectively structure and implement the assistance relief, staff is requesting approval of proposed amendments to Resolution 15-09. The proposed amendments include the following:

- Expanding the ability to receive assistance to neighboring county residents that lost their homes in these fires. The additional counties, including only a limited area of those counties, would be Amador, a GSFA Member County, and Sonoma, a GSFA Associate Member County.
- Remove the 115% of Area Median Income (AMI) maximum income limit. The AMI in these areas is not very high and the removal of the cap will simplify the process, permitting the assistance to be timelier and more easily provided.

Recommendation

It is recommended that the GSFA Executive Committee review the proposed amendments to Resolution 2015-09 and direct the Executive Director to recommend approval to the GSFA Board of Directors.

Attachment

- GSFA Resolution 15-09 Amended: Disaster Relief Assistance

RESOLUTION NO. 15-09 AMENDED

RESOLUTION OF THE BOARD OF DIRECTORS OF THE GOLDEN STATE FINANCE AUTHORITY APPROVING AND ADOPTING AN EMERGENCY DISASTER ASSISTANCE PROGRAM FOR COUNTY RESIDENTS DISPLACED BY 2015 FIRES

WHEREAS, the Golden State Finance Authority (“GSFA”) is a joint powers authority comprised of 33 member counties which provides housing down payment assistance, energy efficiency and other programs to assist residents; and

WHEREAS, a historic drought in California has created extremely dry conditions; and

WHEREAS, in recent months, there have been devastating fires in the jurisdictions of several of GSFA’s member counties, which have resulted in hundreds of residents being left homeless; and

WHEREAS, the State of California and/or the United States Government have declared several of these fire-stricken areas to be disaster areas; and

WHEREAS, GSFA desires to provide assistance to those individuals and families who have lost their primary residence for an extended period of time;

NOW THEREFORE, BE IT RESOLVED, as follows:

Section 1. GSFA hereby allocates a total amount of One Million Five Hundred Thousand Dollars (\$1,500,000) of unrestricted funds to be used for an Emergency Disaster Assistance Program (the “Program”) to assist residents living within a member or associate member County who meet the following criteria:

- The residence is in an area declared to be a state or federal disaster area in 2015;
- Damaged property caused by the disaster must have been the primary residence (owned or rented) of the applicant;
- The property must have been designated by CALFIRE as destroyed (more than 50% damaged);
- The assistance is to benefit the individuals/families that have been displaced;
- To provide timely assistance to immediate temporary housing and shelter needs a portion of the funds may be allocated to assist with this need.

Section 2. The Board further resolves that \$500,000 of the appropriated Program funds shall be provided directly to the appropriate county agency or department of Lake and Calaveras Counties for direct assistance to be used for the costs of providing temporary housing and/or shelter to individuals and families displaced due to loss of residence from the fire, in the manner that such

counties deem appropriate. The allocation shall be in the following amounts based on the CALFIRE reports of residences destroyed:

Lake County	\$350,000
Calaveras County	\$150,000

Section 3. The remaining \$1 million of appropriated Program funds for individual/family assistance portion shall generally follow the guidelines (the “Guidelines”) developed by GSFA in consultation with legal counsel.

- The funds shall be provided directly to individuals and families in an effort to assist rebuilding or to obtain a future long-term residence,
- ~~Household income of the applicant may not exceed 115% of Area Median Income,~~
- Assistance to an individual household will be limited to a maximum amount of \$2,500.

PASSED APPROVED AND ADOPTED by the Board of Golden State Finance Authority, the 9th day of December 2015, by the following vote:

AYES: ~~Alpine, Amador, Del Norte, Glenn, Humboldt, Imperial, Inyo, Madera, Mariposa, Mendocino, Merced, Modoc, Mono, Napa, Nevada, Placer, San Benito, Shasta, Sierra, Siskiyou, Sutter, Tehama, Trinity, Tuolumne, Yuba~~

NOES: 0

ABSENT: ~~Butte, Calaveras, Colusa, El Dorado, Lake, Lassen, Plumas, Yolo~~

ABSTAIN: 0

Golden State Finance Authority

Chair of the Board

I certify that the foregoing resolution is a true and accurate copy of Resolution No. 15-09 ~~Amended~~, approved by the governing board of the Golden State Finance Authority on ~~December~~ July 9 13, 20165 in Sacramento, California.

Date: ~~December 9~~ July 13, 20165

Assistant Secretary

To: GSFA Executive Committee

From: Greg Norton, Executive Director
Lisa McCargar, Chief Financial Officer
Craig Ferguson, Vice President

Date: July 6, 2016

Re: PACE Consumer Protection Policies - **ACTION**

Summary

At the Executive Committee meeting of May 11, 2016, review and approval of the Golden State Finance Authority (GSFA) Ygrene Works Residential PACE program Consumer Protection Policies (CPP) was removed from the agenda and postponed. The attached proposed CPP is now recommended for approval.

Additionally, as each of you has been made aware, Renovate America has made some very serious accusations regarding Ygrene and GSFA PACE program practices. GSFA is, and will continue to, follow up on these accusations which are addressed in a separate memo.

Issues

Residential Consumer Protection Policies:

To ensure adherence to "industry standards" and rather than revise the prior version of the CPP included in the May GSFA EC packet, the CPP approved by PACENation, a national non-profit for the advancement of PACE programs, were utilized as a starting point. Attached for your review are the following:

- A clean version of the proposed CPP;
- A track change version reflecting the revisions made to the PACENation CPP; and
- The proposed CPP compared to the initial version included in the May 11, 2016 packet.

The track changes are the proposed revisions/edits to the PACENation CPP. Additionally, "NOTES" are provided in the track change version to provide clarification/explanation in an effort to assist with the review.

The edits to the PACENation version are intended to achieve the following:

- Provide enhanced consumer protections, disclosures and clarity to homeowners;
- Provide clarification where deemed appropriate regarding differences in SB 555 and AB 811 established/based PACE programs; and

- Reflect operational differences where necessary.

The attached residential PACE Consumer Protection Policies document is intended to address best practices and guidelines for GSFA/Ygrene's residential property assessed clean energy (PACE) program for single-family homes and multi-family (less than 5 units) properties. The consumer protection policies include the areas of risk, disclosures & documentation, financing terms, operations, post-funding support, data security, privacy, marketing & communications, protected classes, contractors, eligible products, pricing, reporting, and closing & funding. It is important to note that the document is intended to be a living document that evolves with best practices and any changes in applicable laws and regulations.

Recommendations:

It is recommended that the GSFA Executive Committee review the proposed CPP and direct the GSFA Executive Director to recommend the GSFA Board approve and authorize the use of the attached residential PACE Consumer Protection Policies essentially as in the form presented and to amend as necessary.

Attachments

- Proposed PACE Consumer Protection Policies - Clean
- Proposed PACE Consumer Protection Policies – Track Changes
- Proposed CPP compared to May 11, 2016 GSFA Packet Version



PACE Consumer Protection Policies

Version 1.0 (PACENation date May 10, 2016)

(Residential PACE Programs)

GSFA Proposed Amendments Included

1. OVERVIEW

Property Assessed Clean Energy (“PACE”) programs enable a much broader range of homeowners to implement energy efficiency, renewable energy, weather resiliency, water efficiency and seismic safety improvements that increase the value, functionality, and sustainability of their homes. Such improvements (“Improvements” or “Measures”) make homes less costly to operate and more comfortable to live in, while simultaneously reducing energy and water consumption. Without PACE Programs many homeowners would have no, or only costlier, access to these Measures.

PACE Programs (“PACE Programs”), including the government authorities sponsoring and administering them and, where applicable, the entities who help implement them (“Partners”), provide advice, tools and resources that enable homeowners to make smart, informed and responsible choices regarding such Measures. PACE Programs must be responsible for ensuring that the advice, tools and resources are appropriate and accurate, which means that care must be taken with homeowners before, during and after the origination of Program financing. Consumer protections that serve homeowners must be a core value of PACE Programs and Partners. In this document, “Partner” refers to the government authority in all cases where a Program does not include a third party non-government partner.

PACENation recommends that PACE Programs implement consumer protection policies that meet or exceed the standards set forth herein, addressing the following areas: (1) Eligibility and Risk, (2) Disclosures and Documentation, (3) Financing Terms, (4) Operations, (5) Post-Funding Support, (6) Data Security, (7) Privacy, (8) Marketing and Communications, (9) Protected Classes, (10) Registered Contractors, (11) Eligible Products, (12) Pricing, (13) Reporting, and (14) Closing & Funding.

PACE Programs that meet or exceed these standards provide homeowners with a greater level of consumer protection than any other form of PACE financing. The recommended consumer protection policies set forth herein can help guide PACE Program implementation to ensure homeowners realize maximum benefit.

Golden State Finance Authority (GSFA) Statement on Public Benefits of PACE Programs:

Thirty-two states and the District of Columbia have enacted legislation enabling PACE programs. PACE programs provide an essential public benefit and contribute to the general public welfare by reducing carbon emissions, improving the quality of the environment, and improving energy and water resiliency of the U.S. building stock.



PACE programs provide demonstrated public benefit while enabling an unprecedented range of homeowners to access energy efficiency, renewable energy and water efficiency measures that improve the financial, functional and environmental aspects of home ownership. Such improvements make homes less costly to operate and more comfortable to live in, while reducing energy and water consumption. Without PACE programs many homeowners would have no, or more costly, access to such benefits.

1. ELIGIBILITY AND RISK

Policy Summary:

The GSFA and Ygrene Energy Fund's "Ygrene Works" PACE Program (the "Program") blends traditional credit risk considerations together with statutory requirements and administrative policy objectives to develop specific risk and eligibility criteria for participation in the Program. These criteria take into account the unique risk profile that PACE financing presents to enable qualifying homeowners to access it. While this process will exclude unqualified homeowners and properties, special consideration has been given to develop inclusive standards. The criteria examine four key attributes of every financed project: (1) the real property ("Property") on which the improvements will be installed, (2) the encumbrances presently recorded against the Property, (3) the nature of the improvements to be installed; and (4) the homeowner's mortgage and property tax payment history.

- 1.1. **Properties.** Consistent with foundational considerations, it is the policy of the Program to make the Program available to the entirety of the existing residential housing stock within the jurisdictional boundaries of the Program. Properties for which the Consumer Protection Policies (CPP) does not apply include: (i) commercial properties (including residential properties comprising five (5) or more units), (ii) new commercial properties under construction and (iii) properties that cannot be subject to an assessment or levy. If requested in good faith by a homeowner whose Property has been found ineligible, the Program or Partner may undertake a "second look" eligibility review of the applicant's Property, re-examining the specific attributes of the Property in question and confirming or modifying the original determination.
- 1.2. **Encumbrances.** The encumbrance profile of properties is an important element in determining whether or not they qualify for Program participation. The Program is designed to harness unused financing capacity of homes in which eligible improvements are installed. Such financing is inappropriate if it burdens properties and their owners too greatly. Accordingly, properties eligible for Program financing will have the following attributes:
 - 1.2.1. All mortgage-related debt on the Property may not exceed 90% of the Property's fair market value ("FMV"), or assessed value if market value data is unavailable or unreliable, at the time of initial approval;
 - 1.2.2. Reliability of the Program FMV model should be derived from residential industry accepted and reputable third-party valuation services;
 - 1.2.3. The financing may not exceed (A) (i) fifteen percent (15%) of the FMV of the Property, up to the first seven hundred thousand dollars (\$700,000) of the Property's FMV, and (ii) ten percent (10%) of the remaining value of the Property above seven hundred thousand dollars (\$700,000) minus (B) any existing PACE assessments on the Property;
 - 1.2.4. The total mortgage-related debt on the underlying Property plus Program financing may not exceed the FMV of the Property; and
 - 1.2.5. The total amount of any annual property taxes and assessments shall not exceed the

statutory cap as established by the relevant PACE law.

- 1.3. **Eligible Improvements.** The Program provides financing for a broad range of eligible products and projects permanently-affixed to the Property, the details of which are set forth in Section 11 below. The Program is not available to finance ineligible products and projects, which comprise anything not specified in Section 11, subject to an appeal and review of specific measures on a case by case basis by the Partner and/or Program. While the Program is responsible for confirming compliance with the Section 11 requirements, it is not responsible for determining post-installation energy performance, savings or efficacy of such products or projects. The Program relies on applicable state law and data and ratings from the U.S. Department of Energy, the Environmental Protection Agency, other federal and state government agencies and applicable PACE laws in determining what constitutes an eligible Improvement or Measure.
- 1.4. **Homeowners.** PACE Program assessments typically appear as line items on property tax bills and homeowners repay their financing when they pay their property tax bills. The mortgage and property tax payment history of a homeowner of record is, thus, an important factor in determining a homeowner's eligibility to participate in the Program. Accordingly, at the time of application, homeowners eligible for Program financing will at a minimum have status and payment histories that are consistent with the following:
 - 1.4.1. The applicant is the homeowner of record;
 - 1.4.2. Property tax payments for the assessed Property are current. Additionally, the homeowner must certify that there has been no more than one late payment for the shorter of (i) the previous three years, or (ii) since the present homeowner acquired the Property;
 - 1.4.3. The homeowner is current on all mortgage debt, and has not had a Notice of Default (NOD) recorded on the property for the last 3 years;
 - 1.4.4. The homeowner is not currently in bankruptcy; and
 - 1.4.5. The homeowner has no involuntary lien(s) recorded against the Property in excess of \$1,000.
 - 1.4.6. There may be no pending Notice of Default on the property and no more than one recorded Notice of Default for the shorter of (i) the previous three years, or (ii) since the present homeowner acquired the Property.

2. DISCLOSURES & DOCUMENTATION

***Policy Summary:** The enforceability of the Program is derived from the documentation established and approved by GSFA consistent with enabling state legislation. In states where judicial validation proceedings are available, it is considered best practice to complete judicial validation of the Program prior to commencement. The GSFA Ygrene Works program judicial validation was completed on July 22, 2015. Documentation for Program participants should ensure compliance with these consumer protection policies and must be clear, complete, and fair to all parties. A reader who has spent time with the documentation should develop an unambiguous understanding of each and every right, risk and obligation associated with the Program's financing product. PACE is a new form of financing that, while sharing some features of traditional financing, presents new considerations for homeowners. Best practices counsel the Program to disclose traditional "know before you owe" financing terms ("Disclosures" e.g., interest rates, financing term, payment amounts). Disclosures covering the Program financing's specific repayment cycle (typically, annual or semiannual) and the Federal Housing Finance Authority's announcement regarding payoff of Program financing at the time of sale or refinance are among the new considerations. In the end, a homeowner who understands the Program's disclosures will be informed and have a clear understanding of the Program's traditional and non-traditional features.*

2.1. Document Timing. Before commencement of any Program-financed project, a homeowner must: (i) submit an application; (ii) receive approval of the Measures from the Partner; and (iii) execute documentation covering the terms and disclosures summarized in this Section. Following installation of the Measures, a homeowner must: (i) execute an acknowledgement that the installation of the Measures has been completed satisfactorily; and (ii) receive and approve a final summary of costs and payments. Delivery to and execution of all such documentation by the homeowner is the responsibility of the Partner.

2.2. Terms. Terms that are fundamental to the Program and that need to be reflected in its Disclosures comprise: (i) the amount financed including the cost of the installed Measure(s), together with Program fees and capitalized interest, if any, (ii) the repayment process and schedule, (iii) the payment amounts, (iv) the term of the financing (that does not exceed the average useful life of the Measures), (v) the rate of interest charged (such rate to be fixed and not variable), (vi) a payment schedule that fully amortizes the amount financed, (vii) the nature of the lien or obligation created upon recordation, (viii) the specific improvements to be installed, (ix) the 3-day right to cancel the financing, (x) the right to withhold approval of payment until the project is complete, and (xii) any other relevant state specific rights, notices, or requirements (e.g. in California, Section 5899.2 rights for solar lease improvements). It is the responsibility of the Partner to prepare, deliver and arrange for execution of documents reflecting such

- 2.3. **Disclosures Policy.** Disclosures ensure that homeowners are aware of and understand key Program financing terms and risks that appear in the Program's documentation. It is the policy of the Program that Partners confirm delivery to, and receipt by, homeowners of these Disclosures, and obtain written acknowledgement that homeowners have read and understand them. The following comprise key Disclosures of the Program provided by Partners in a financing summary in the form substantially similar as attached hereto as Attachment A.

Disclosures	Description
Term of financing	The maximum time period of the financing
Amount financed	The total amount financed, including the installed cost of the Measure(s), Program fees and capitalized interest, if any
Annual payment amount	The amount due each year, even if paid in semi-annual installments or through impound payments
Annual interest rate/APR	The effective interest rate after taking into account all fees and capitalized interest
Improvements financed	The Measures installed
FHFA risks	The risk that the homeowner may need to pay off the PACE special tax or assessment at the time of sale or refinance
Right to cancel	The 3-day right to rescind the financing
Prepayment	The right to prepay the Program financing with clearly defined penalties, if any, depending on the option and terms selected by the homeowner.

The following comprise additional key Disclosures of the Program provided by Partners.

Disclosures	Description
Program overview	A document or section of a document that provides a comprehensive summary of the Program, including a summary of a homeowner's rights and obligations
Property tax repayment process	Description of the property tax payment process and the line item for repayment of the Measures that the Program financed
Tax benefits	Tax credits or benefits associated with the purchase of certain Measures and the annual payments related to them.
Privacy	A notice describing the privacy policies of the Program

Federal disclosures	Those appearing in the Program application
Foreclosure	The risk of foreclosure and the foreclosure process in the event of a homeowner default

2.4 Confirmation of Terms. For all Program financing applications associated with contractors that are either new to the Program or are on a Partner's "watch list" (i.e. those contractors that are not "Top Rated Contractors" defined below), it is the policy of the Program that such Partner confirm live by telephone with the homeowner applicant each Program financing term listed in (b)-(h) of this Section 2.4 below. These confirmation requirements do not apply to contractors who have reached the Partner's top rating category (the "Top Rated Contractors"). For Top Rated Contractors, it is the policy of the Program that the Partner conduct randomized calls to homeowners to confirm financing terms.

Notwithstanding the above, irrespective of the contractor with whom the Program financing is associated, it is the policy of the Program that the Partners confirm live by telephone for each applicant who is over 64 years old the Program financing terms listed in (a)-(h) of this Section 2.4 below, and any other special categories of homeowners as designated by the Program. For avoidance of doubt, for homeowners over 64 years old, a voicemail message does not satisfy the requirement of Program financing term confirmation under this Section 2.4.

When confirming terms of a Program financing with a homeowner, the Partners will request the homeowner to describe generally the improvement(s) being financed using the Program financing, and will ascertain that the homeowner understands:

- (a) The reason for the specific improvement(s) being obtained by such homeowner.
- (b) His or her total estimated annual payment.
- (c) The date his or her first tax payment will be due.
- (d) The term of the Program financing.
- (e) Any additional fees (including recording fees) that will be charged to him or her.
- (f) That payments for the Program financing will be added to his or her property tax bill and will cause the property tax bill to increase.
- (g) That he or she may make payments on the Program financing either directly to the county assessor's office or through his or her mortgage impound account.
- (h) That before any assessment contract or application (the "Pending Project") is executed, the Partner has asked and the homeowner has confirmed that no Measures other than the Pending Project are underway, and has agreed, at any time before funding of the Pending Project, to inform Partner if homeowner has authorized any new Measures.

2.5 Lender Disclosure Policy. For all program financing contracts, a notification must be



May 10, 2016

sent to all lenders of record outlining the key terms of the project to be undertaken on the Property. This notification shall be transmitted by the partner on behalf of, and with the consent of, the Property Owner.

3. FUNDING

Policy Summary: PACE is a new form of financing that, while sharing some features of traditional financing, presents new considerations for financing capital sources and structures. Best practices counsel the Program to proactively solicit feedback from Program stakeholders and homeowners and incorporate things learned into policy improvements which benefit homeowners.

- 3.1. **Interest Rates.** It is the policy of the Program that Partners offer fixed simple interest rates and payments that, whether they are level or vary over the term of financing, fully amortize the obligation. Variable interest rates or negative amortization financing terms are not permitted.
- 3.2. **Sustainable Funding Source.** It is the policy of the Program that Partners establish a sustainable source of capital for funding PACE projects separate from the Authority's general fund or budget and have access to capital markets to ensure funding for qualified projects is available on a consistent basis. A Partner must demonstrate the capacity to fund assessments that the Program and Partner anticipate originating through such Partner over a six (6) month period immediately following the Program's review of such Partner's financial statements.
- 3.3. **Subordination.** For Programs in states with senior lien PACE statutes, a Program and/or its Partners may accommodate owners of PACE assessed homes and prospective buyers of such homes by offering to subordinate certain of its/their rights derived from the PACE assessment lien to the lien of a mortgage or deed of trust. The subordination may provide the lien under a mortgage or deed of trust with senior rights such that the lender will be induced to provide a mortgage loan on a PACE-assessed property. The subordination option may be made available to homebuyers and homeowners in accordance with policy agreed upon by the PACE Program and the Partner.
- 3.4. **Contractor Fees.** It is the policy of the Program that Partners can only charge fees to contractors offering Program financing as long as Partners (i) clearly and conspicuously disclose such fees to homeowners and (ii) require that contractors absorb such obligations and not pass such fees on to homeowners.

4. OPERATIONS

Policy Summary: Operations refers to the staff, procedures, and systems that Partners use to deliver the Program to homeowners and provide them with ongoing support. For Partners, operational competence rests on the ability to perform well in a range of areas and disciplines, such as accounting, finance, capital markets, risk assessment, legal, compliance, government affairs, municipal engagement, training, marketing and sales, contractor engagement, business development, and corporate development. While each operating unit incorporates thoughtful and highly effective consumer protections in the work it produces, Operations is the gatekeeper responsible for assuring that the Program has the people, processes, tools and technology necessary to deliver to homeowners the Program financing product, as well as the consumer protections described in these Policies.

- 4.1. **Operational Consumer Protection Policies.** The Program and its Partners will provide people and develop processes, tools and technology necessary to support the consumer protection measures described in detail elsewhere in this policy, including: (i) risk and underwriting processes; (ii) terms and documentation delivery systems; (iii) documentation, maintenance and retrieval processes; (iv) disclosure development, delivery and acknowledgment receipt; (v) post-funding support for homeowners and other stakeholders such as real estate professionals; (vi) data security measures; (vii) privacy policy development and protections; (viii) marketing and communication oversight; (ix) protected class data and communication processes; (x) contractor management and engagement; (xi) eligible product database and/or list development and maintenance; (xii) implementation of the maximum financing amounts; (xiii) key metrics reporting; (xiv) closing and funding processes (including the ability to fulfill financing obligations); (xv) examination data production; and (xvi) implementation of procedures to identify and prohibit conflicts of interest within and associated with the Program.

5. POST-FUNDING HOMEOWNER SUPPORT

***Policy Summary:** A public/private partnership is at the core of the Program. This partnership carries with it elevated consumer protection responsibilities that apply to the Program with as much significance during the post-funding period as they do during the time of application and origination. Establishing and operating an executive office responsible for customer care that responds to inquiries, complaints, contractor and workmanship concerns, product performance questions and related matters for the lifecycle of the improvements financed is fundamental to the consumer protections that the Program provides.*

- 5.1. **Proactive Engagement.** It is the policy of the Program that the Program and its Partners proactively monitor and test the consumer protections delivered to homeowners, and to request feedback from homeowners and contractors to identify areas in need of improvement.
- 5.2. **Onboarding.** It is the policy of the Program that Partners develop and implement a post-installation onboarding procedure for homeowners to reinforce key characteristics of the Program, such as those highlighted in the Program disclosures.
- 5.3. **Payments.** It is the policy of the Program that each Partner have disclosures and resources in place to resolve any homeowner questions regarding payments. The Program requires that each Partner implement procedures for responding to requests for prepayment of their PACE property tax assessment in a timely and complete manner, matters regarding impound account catch up payments, payment timing inquiries and payment amount reconciliation among others.
- 5.4. **Inquiries and Complaints.** It is the policy of the Program that its Partners receive, manage, track, timely resolve, and report on all inquiries and complaints from homeowners. This policy contemplates Partners have an ability to perform inspections, meet with homeowners and contractors, investigate matters, and mediate resolutions with homeowners and contractors. Partners must proactively work to resolve inquiries and complaints in a reasonable and timely manner and in accordance with the Program guidelines and must make communication for homeowners available during regular business hours by phone, email and facsimile communication.
- 5.5. **Real Estate Transactions.** It is the Program's policy that Partners develop capabilities to assist homeowners who are refinancing or selling their Properties. The Partner must support real estate professionals providing services to refinance and sales transactions for properties with PACE assessments.

6. DATA SECURITY

***Policy Summary:** Trust is fundamental to any financing relationship, and Program financing is no exception. The public/private partnership at the center of the Program, as well as the confidential relationship homeowners have with a Program Partner mandate that any market-ready Program be in robust compliance with sturdy cyber-security standards, and in particular develop secure and tested processes that protect homeowner personal identifiable information at points of potential vulnerability, especially during the application process.*

6.1. **Information Systems.** It is the policy of the Program that each Partner develop and comply with secure and tested processes to protect the personal identifiable information of the homeowner described in Section 7 below. Security policies and practices utilized are to, at a minimum; comply with all applicable government laws and regulations for the protection of personal data and information as well as remain current with applicable industry standards. Security measures and practices are subject to audit as directed by the Authority.

6.2. **Personnel.** Each partner is responsible for:

- 62.1. Informing and enforcing compliance with the Program's data privacy and security policies on the part of every employee, contractor, vendor, agent, service provider, representative, and associate who is exposed to personal identifiable information of homeowners.
- 62.2. Implementing protections and controls to prevent unauthorized copying, disclosure, or other misuse of sensitive consumer information.

7. PRIVACY

***Policy Summary:** The trusting and confidential relationship that exists between homeowners and the Program extends to the Partners' use of homeowner data. Compliance with the Gramm-Leach-Bliley Act as well as the establishment of clear opt-in and opt-out protocols for information sharing are the pillars of the Program's privacy policy. More broadly, the Program must protect and manage sensitive consumer information, respect the privacy of all homeowners, and implement robust controls to prevent unauthorized collection, use and disclosure of such information. These protections are subject to the limitation that property owner names, property address, special tax or assessment amount, payment amount and other terms of the PACE financing are public information consistent with property tax law.*

7.1. **Privacy Policy.** The Program obtains sensitive personal identifiable information (e.g., full name, home address, social security number, date of birth) from homeowners as part of the Program application process or through other homeowner touch points with the Program. It is the Program's policy that each Partner develop and deliver to homeowners prior to receipt of such personal identifiable information, a privacy policy

May 10, 2016

that complies with state and federal law (e.g., the Gramm-Leach-Bliley Act). The privacy policy must expressly prohibit sharing personal identifiable information with third parties without the homeowners' express authorization except where expressly permitted by state and federal law. Such privacy policy will cover (i) the sources from which sensitive consumer information is obtained, (ii) the Partner's use of sensitive consumer information, and (iii) a mechanism by which a consumer may opt-out of sharing information. The Partner will deliver to homeowners any updates to such privacy policies.

- 7.2. **Application Process.** It is the policy of the Program that all personal identifying information provided by a homeowner to a Partner during the application process is provided directly by the homeowner to the Partner. The Partners will establish processes and controls to ensure that personal identifiable information of a homeowner is obtained directly from such homeowner (or his verifiable legal representative or attorney in fact) and not from a contractor or other third party.

8. MARKETING & COMMUNICATIONS

Policy Summary: Clear, informative, truthful, balanced, transparent and complete communications are essential for the Program. The stakeholders of any Program include homeowners, contractors, the governing authorities, government officials and staff, investors, finance partners, real estate professionals, mortgage lenders, and its Partner(s) among others. Communications or acts and practices that mislead stakeholders, add ineligible expense to PACE financing or to the Program, abuse stakeholders, or otherwise fail to meet the core communication standards of appropriateness for the Program are not acceptable.

- 8.1. **Prohibited Practices.** The Program prohibits practices that are or could appear to be unfair, deceptive, abusive, or misleading, violate federal or state laws or regulations, provide tax advice, or are in any way inappropriate, incomplete or inconsistent with the Program's purpose. Marketing practices that are likely to add unnecessary expense to a homeowner, that unlawfully use sensitive consumer data or that violate any other law or regulation are prohibited. Partners and Registered Contractors that make marketing or sales telephone calls must not violate federal or state "Do-Not-Call" laws. Each Partner is responsible for developing and enforcing marketing practices that meet the approval of the Program.
- 8.2. **Permitted Practices.** It is the policy of the Program to adhere to all legal and regulatory requirements (e.g., telemarketing) pertaining to its advertising and marketing efforts. On the basis of providing clear and concise communication to consumers, any practice that promotes informed decisions on the part of homeowners and is not prohibited as described in section 8.1 above is permitted. The Partner is responsible for developing,

May 10, 2016

delivering to and enforcing marketing guidelines for the Program's Registered Contractors that meet the approval of the Program Administrator. Any marketing materials that fall outside of marketing guidelines established must be approved by the Partner to ensure that they are not unfair, deceptive, abusive and/or misleading.

8.3. **Tax Advice.** It is the policy of the Program that no Partner, Contractor or other related third party who is not a tax expert may provide tax advice to homeowners regarding Program financing, including affirmative statements or claims as to the tax deductibility of the PACE payments. Homeowners are encouraged to seek the advice of an expert regarding tax matters related to the Program. Therefore, it is acceptable for marketing materials to include a statement such as: "PACE financing may have certain tax benefits. Consult your tax advisor to find out what, if any, may apply to your individual circumstances". The Program shall monitor and test the sales practices of employees and contractors to confirm adherence to the policy set forth in this Section 8.3.

8.4. **Payments in Exchange for Financing.** It is the policy of the Program that no Partner provide a direct cash payment, monetary incentives, gifts, or other thing of material value to a Registered Contractor or Affiliated Individual (as those parties are defined in Section 10) in exchange for or related to such contractor or Affiliated Individual's (i) signing up or continuing to work with such Partner or (ii) offering Program financing to a homeowner. For avoidance of doubt, the limitations provided in this Section 8.4 are not intended to prevent a Partner from either (A) paying for co-marketing materials that name the Partner and the Registered Contractor to whom such payment is made after the Partner receives receipt(s) from the Registered Contractor evidencing the amount spent on such co-marketing or (B) providing a Registered Contractor or Affiliated Individual with other non-cash things of value that by their nature directly contribute to the value of the Program.

9. PROTECTED CLASSES

***Policy Summary:** Each Partner must ensure compliance with all state and federal laws that cover individuals in protected classes, including those based on race, religion, color, marital status, gender, sexual orientation, national origin, citizenship, presence of children, disability, age, veteran status, participation in a public assistance program, or because an applicant has in good faith exercised any right under the Consumer Credit Protection Act. Heightened protections for homeowners over 64 years old, such as confirming understanding of financing terms and project specifications, is a specific requirement of the Program. Unintentional non-compliance will not excuse a failure to comply with all state and federal laws regarding protected classes.*

9.1. **General.** The Program requires that Partners develop controls and methods to monitor and test compliance with all state and federal laws covering homeowners in protected classes.

- 9.2. **Elders.** Each Partner must develop and implement a protocol to ensure that all homeowners over 64 years of age understand the purpose of each Measure for which Program financing is sought, and the terms of such financing as described in Section 2.4.
- 9.3. **Financing Application Access and Decisions.** It is the responsibility of the Partner to provide legally unbiased access to and decisions regarding Program participation to all applicants for Program financing.

10. REGISTERED CONTRACTOR REQUIREMENTS

Policy Summary: Contractors and their sales persons are one of the primary means by which homeowners become aware of Program participation options. Contractors and their sales persons enter into contracts with a Partner, and register with all relevant state and local licensing boards and agencies. Contractors are required to complete training courses, follow a code of conduct, maintain insurance, post bonds, follow marketing requirements, among other obligations, all of which are designed to assure positive and productive homeowner interaction with the Program.

- 10.1. **Policies.** It is the policy of the Program that all contractors who sell, install, or manage subcontractors who install eligible Measures will have become “Registered Contractors” with the Program. Registered Contractors and all of their employees, entities, owners, partners, principals, and sub- contractors (collectively, the “Affiliated Individuals”) must meet the requirements of the Program, which include:
- 10.1.1. Compliance with any relevant state contractor code of conduct, attached hereto as Attachment B;
 - 10.1.2. Maintenance of an active license, and being in good standing, with any relevant state licensing board, as well as maintenance of insurance and an ability to meet bonding requirements;
 - 10.1.3. Oversight and management of employees, independent contractors and subcontractors who provide services to Registered Contractors accessing the Program;
 - 10.1.4. Meeting all other state and local licensing, training and permitting requirements;
 - 10.1.5. Compliance with the Program’s marketing policies; and
 - 10.1.6. Ensuring all Affiliated Individuals register with the Program, including completing the Program’s identity verification procedures.
- 10.2. **New Contractors.** Regarding Registered Contractors new to the Program, it is the policy that the Partner:

May 10, 2016

- 102.1. Has a specified probationary period (i.e., place the new Registered Contractors on a watch list) until the new Registered Contractors have completed the required number of Measures;
 - 102.2. Has procedures in place, during the Registered Contractor probationary period, to provide additional quality assurance steps for Measures completed by the Registered Contractors on the watch list; and
 - 102.3. Has procedures in place to review Registered Contractor work to confirm satisfactory completion of projects conducted during the probationary period for which Program financing is used.
- 103 **Contractor Management.** It is the policy of the Program that the Partner implement contractor management systems and procedures that manage and track contractor training, homeowner complaints, and compliance violations on an individual and company basis.
- 104 **Contractor Training.** It is the policy of the Program that each Partner make available contractor training regarding, at a minimum, the following: (i) the applicable contractor code of conduct terms as required by the Program, (ii) protected classes, including, without limitation, elder protection, and (iii) other consumer protection measures as required by the Program.
- 105 **Remedial Action.** Partners may warn, suspend or terminate a Registered Contractor and/or Affiliated Individual from the Program based on violations of these policies or at the discretion of the Partner in the best interest of homeowners and the Program. The Program does not accept Program applications processed by suspended or terminated contractors and/or associated representatives.

11. ELIGIBLE PRODUCTS

Policy Summary: *The Program enables and encourages homeowners to install Measures which are permissible under state law and designed to save energy or water, generate renewable energy, or produce other public benefit (e.g. seismic retrofits). The Program is responsible for implementing practices and controls (e.g., eligible product databases and product confirmation processes) to ensure that financing is used only for eligible Measures, and that it is not provided for ineligible ones. Program product eligibility criteria ensure that property owners are financing improvements which are industry recognized for achieving higher levels of home energy or water efficiency, renewable energy generation, seismic retrofits, or other state specific approved Measures. While the Program is responsible for confirming compliance with the initial capacities of such products, it is not responsible for determining post-installation energy performance, savings or efficacy of such Measures.*

- 11.1. **Policies.** Consistent with the objectives of the PACE enabling legislation, it is the



policy of the Program through consultation with the Partner and the Authority to:

- 11.1.1. Establish and maintain an eligible products database and/or list, documenting the associated eligibility specifications for each product that conform to the requirements outlined in Attachment C hereto;
 - 11.1.2. Define a process for adding to or modifying the eligible product database;
 - 11.1.3. Ensure that eligible product energy efficiency/water efficiency/energy generation (as applicable) performance standards are calibrated and verified using performance criteria that the U.S. Department of Energy, U.S. Environmental Protection Agency, and/or other federal and state agencies or other reputable parties have established;
 - 11.1.4. Use credible third party sources to determine the useful life of each installed product, which will be used to set the maximum term for financing from the Program; and
 - 11.1.5. Require that each product is permanently affixed to the Property.
- 11.2. **Procedures.** It is the policy of the Program that the Partner establish procedures confirming that the homeowner applying for Program financing intends to install eligible products, and that at the time of funding such improvements have been installed.
- 11.3. **Ineligible Products.**
- 11.3.1. Financing of ineligible products under the Program is prohibited.
 - 11.3.2. Products that are not included on the eligible products list or in the eligible products database can be submitted for review by the Program, if a homeowner has reason to believe they should have been included.

12. MAXIMUM FINANCING AMOUNT

Policy Summary: Many homeowners cannot readily access price information regarding the installation of energy efficiency, renewable energy and water conservation improvements for their homes, and cost often is a key economic consideration. While the Program does not set price controls, it implements procedures to monitor conformance with generally accepted market pricing ranges.

The Program's maximum financing amount policies provide as follows:

- 12.1. It is the policy of the Program to develop generally accepted market pricing ranges based on market data and each Partner's experience, but not to set pricing for installation of eligible products and projects. In evaluating project pricing, the Partner takes into account regional factors that may contribute to the pricing of improvements.

May 10, 2016

- 12.2. It is the policy of the Program that each Partner will, at a minimum, establish generally accepted market pricing ranges for each product type (e.g. for central air conditioners, solar PV systems, solar thermal systems and artificial turf).
- 12.3. There is a low to high range of justifiable pricing, depending on the particular product within a product type (e.g. there may be different types of central air conditioners, solar PV systems, solar thermal systems and artificial turf). It is the policy of the Program that each Partner will establish product/project attribute related pricing rules, consistent with and in consideration of the key product pricing attributes that dictate what pricing within such low to high range is justified.
- 12.4. It is the policy of the Program that each Partner establish processes and systems for purposes of enforcing the generally accepted market pricing ranges (as described in Section 12.3) for every project.
- 12.5. A product may only be funded for an amount that is justified by reasonable standards that are validated and documented through processes and systems acceptable to the Authority.

13. REPORTING

***Policy Summary:** Reporting the economic and environmental results of Program participation is essential for the Program, Partners, elected officials, environmental agencies, the investment community, the real estate and mortgage industry and many other stakeholders. Metrics such as economic stimulus dollars invested, greenhouse gas reduction, the number of Measures funded, the amounts funded, renewable energy production and energy & water savings serve this need. The Partner is responsible for producing, on a quarterly basis, a key metrics report.*

- 13.1. **Reporting Categories.** It is the policy of the Program that Program statistics reporting and estimated impact metrics in the following categories be developed and reported quarterly to the Authority: (i) number of projects funded, (ii) project amount funded, (iii) estimated amount of energy savings, (iv) estimated amount of renewable energy produced, (v) estimated amount of water savings, (vi) estimated amount of greenhouse gas emissions reductions, (vii) seismic safety improvements installed and (viii) estimated economic stimulus and number of jobs created.
- 13.2. **Reporting Standards.** It is the policy of the Program that all data collected for the quarterly metrics reports be developed and collected using standardized, third party verified methodologies satisfactory to the Authority. The methodologies and supporting assumptions and/or sources must be made available to the Authority by the Partner. It is the responsibility of the Partner to develop reports consistent with

May 10, 2016

each of the categories listed above and to test and verify the data collection and reporting methods and models used. All reports shall include only aggregate data, excluding any sensitive customer information.

14. CLOSING & FUNDING

Policy Summary: The Program provides limited purpose financing to homeowners, and not general purpose financing that is common among traditional sources of financing. The Program has front-end (e.g., eligible product call-in requirements) and pre-funding (e.g., completion certificates and permits) procedures designed to confirm that their financing dollars are used for permissible purposes. A policy requiring such procedures is essential to protect the integrity of the Program.

- 14.1. **Installation Completion Sign-off.** It is the policy of the Program to confirm, before funding, that the eligible products financed are installed, operational and in a condition that is acceptable to the homeowner and the contractor, and to require that the homeowner and the contractor attest to such by signing a document stating that all products have been installed to the homeowner's satisfaction and in accordance with product specifications. It is the responsibility of the Partner to confirm any such document is signed within the maximum allowable installation time as specified by the Program
- 14.2. **Permits.** It is the policy of the Program for homeowners seeking Program financing to obtain required permits for the installation of Measures and provide verification thereof upon request. Each permit must be signed off by the issuing authority as evidence of project completion.
- 14.3. **Funding.** It is the policy of the Program to disburse funds only for projects that are complete.
- 14.4. **Recording.** It is the policy of the Program to record the Notice of Assessment and Payment of Special Tax/Contractual Assessment Required documentation in a manner consistent with state law.
- 14.5. **Asset verification.** It is the policy of the Program to confirm that product(s) listed on the Completion Certificate and for which Program financing has been provided have been installed including proof of completion by City Inspector or other third-party inspector and that the Partner develop and implement a randomized onsite inspection protocol acceptable to the Authority.



FINANCING ESTIMATE AND DISCLOSURE

Notice to Property Owner: You have the right to request that a hard copy of this document be provided to you before and after reviewing and signing. The financing agreement described below will result in the levy of a special tax, and the recordation of a notice of a special tax lien on your property. The special tax will be collected along with your property taxes. You should read and review the terms carefully, and if necessary, consult with a tax professional or attorney. This financing is not a loan, but rather a special tax, and as such, descriptions below of "interest" or "interest rate" are for illustrative purposes only, and should be taken to reference "interest equivalent" or "interest rate equivalent," respectively.

Customer Service Toll-Free Telephone Number and Email

In the event you have a consumer complaint, questions about your financing obligations related to the special tax or your contractual rights under the terms of your financing contract, you can contact either this toll-free telephone number or email address provided below and receive a response within 24 hours or one business day.

Toll-free telephone number: 1-877-819-4736

Customer service email address: customer.care@ygrene.us

PROPERTY OWNER

PROJECT ID:	TYPE:	FINANCE AGREEMENT DATE:
DISTRICT:	TERM:	COUNTY:
PROPERTY ADDRESS:	APN:	
OWNER NAME(S):		
TRUST NAME:		
LEGAL ENTITY NAME:		
PROPERTY FAIR MARKET VALUE:	PURPOSE:	
RATE LOCK: <input type="checkbox"/> NO <input type="checkbox"/> YES	EXPIRATION DATE:	(After the expiration date, interest rate equivalents and closing costs can change.)

PRODUCTS AND COSTS (INCLUDING LABOR AND INSTALLATION)

\$_____ BOILER	\$_____ CONTROL SYSTEMS	\$_____ ENERGY EFFICIENT WINDOWS & DOORS	\$_____ HVAC	\$_____ IMPACT WINDOWS & DOORS
\$_____ INSULATION	\$_____ LIGHTING	\$_____ REFLECTIVE COATING	\$_____ ROOFING	\$_____ SOLAR
\$_____ WATER CONSERVATION	\$_____ HURRICANE PROTECTION	\$_____ OTHER	PLEASE DESCRIBE:	

FINANCING COSTS

APPLICATION FEES AND COSTS	\$_____
PREPAID INTEREST	\$_____
OTHER COSTS	\$_____
TOTAL AMOUNT FINANCED	\$_____

TOTAL COST OF FINANCING AS AN ANNUAL RATE	_____ %
SIMPLE INTEREST RATE	_____ %
TOTAL ANNUAL FUNDED AMOUNT, INTEREST, AND ADMINISTRATIVE FEES	\$_____



FINANCING ESTIMATE AND DISCLOSURE (CONTINUED)

Note: If your property taxes are paid through an impound account, your mortgage lender may apportion the amount and add it to your monthly payment. See "Other Important Considerations" below.

TOTAL AMOUNT YOU WILL HAVE PAID OVER THE LIFE OF THE FINANCING: \$ _____

OTHER COSTS

APPRAISAL FEES	\$ _____
UNDERWRITING RELATED COSTS (WHERE APPLICABLE; INCLUDES BOND-RELATED COSTS)	\$ _____
ANNUAL ADMINISTRATIVE FEES	\$ _____
ESTIMATED CLOSING COSTS	\$ _____
CREDIT REPORTING FEES	\$ _____
RECORDING FEES	\$ _____

TOTAL FINANCING COSTS AND CLOSING COSTS \$ _____

ESTIMATED CASH (OUT OF POCKET) TO CLOSE \$ _____

OTHER TERMS

PREPAYMENT FEE ☐ NO ☐ YES \$ _____

ASSUMABLE BY NEW OWNER ☐ NO ☐ YES

ADDITIONAL INFORMATION ABOUT THIS FINANCING

COMPARISONS [USE THIS INFORMATION TO COMPARE TO OTHER FINANCING OPTIONS]

	\$ _____	Financed amount you will have paid off.
	\$ _____	Amount of interest you will have paid
IN 10 YEARS	\$ _____	Amount of financing and other costs you will have paid.
	\$ _____	Total you will have paid.

TOTAL COST OF FINANCING AS AN ANNUAL RATE: _____%

TOTAL INTEREST PAID (AS A PERCENTAGE OF ALL THE PAYMENTS YOU HAVE MADE): _____%

Ygrene Certified Contractor Code of Conduct



Contractor, for itself and on behalf of its employees, entities, owners, partners, principals, independent contractors, subcontractors, third party agents or other affiliated person(s) (individually and in the aggregate the "**Certified Contractor**") shall perform any sales, installation, advising, construction, creative services, digital marketing, lead generation, inspection or any other services for property owners (the "**Property Owner(s)**") financing approved projects under Ygrene PACE programs (the "**PACE Program**") in accordance with the following Ygrene Certified Contractor Code of Conduct:

- 1. BUSINESS CONDUCT.** Certified Contractor shall conduct business with Property Owners on a legal, respectful and ethical basis.
- 2. IDENTIFICATION.** Certified Contractor shall present identification upon initial contact with a Property Owner and on any other occasion upon which the Certified Contractor enters Property Owner's property.
- 3. NO TAX ADVICE.** Certified Contractor shall not provide tax advice to Property Owners relating to any aspect of PACE Program financing. If Property Owner inquires about the tax aspects of PACE Program financing the Certified Contractor shall direct Property Owners to consult their tax advisor.
- 4. FINANCE PROGRAM DOCUMENTS.** Certified Contractors shall provide Property Owners with a complete set of PACE Program Documents as specified by Ygrene. Certified Contractor shall instruct Property Owners to contact Ygrene directly with any PACE Program financing questions.
- 5. COMPLETION CERTIFICATE.** Certified Contractors shall furnish a signed Certificate of Completion, for counter signature by the Property Owner, only after the project is completed, the Property Owner is satisfied and the PACE Program has all documentation it requires to release funds.
- 6. ELIGIBLE MEASURES.** Certified Contractors shall:
 - a. Evaluate each Property Owner's energy usage and estimate the energy generation and/or energy/water savings likely to result from financed projects.
 - b. Complete projects that adhere to eligible measures, in conformance with the PACE Program requirements, at reasonable, market-based prices.
- 7. NO UNDUE INFLUENCE.** Certified Contractors shall not engage in any unfair, deceptive, or abusive acts or practices, or exercise any undue influence that could lead to adverse purchasing, pricing or financing decisions, whether or not Property Owners are in protected classes.
- 8. CONTRACTOR STATE LICENSE BOARD (CSLB).** Certified Contractors shall hold active and appropriate licenses and bonding, and maintain good standing with the CSLB. As required by CSLB, Certified Contractors shall also maintain appropriate Worker's Compensation insurance and a minimum of \$1 Million in commercial general liability insurance.
- 9. PAYMENT OF SUBCONTRACTORS.** Certified Contractors shall timely pay all subcontractors and vendors any undisputed amounts due, and shall take all steps necessary to prevent mechanics liens from being recorded against Property Owners because of Certified Contractor's failure to pay any subcontractor or vendor.
- 10. WRITTEN CONTRACT.** Certified Contractors shall enter into and abide by a written contract with the Property Owner accurately and completely stating all proposed products, services and prices.
- 11. BUILDING PERMITS.** Certified Contractors shall obtain all required building permits, on behalf of the Property Owner and obtain applicable final approval from any authority with jurisdiction over any project on which Certified Contractor works.

12. EMPLOYMENT PRACTICES. Certified Contractor shall use legally compliant hiring practices, including but not limited to conducting credit, background and screening checks on all employees, temporary staff, contract employees, subcontractors and third party associates, to assure that such persons comply with Certified Contractor's legal and ethical obligations described herein.

13. PACE PROGRAM TRAINING. Certified Contractor shall attend PACE Program training for all Certified Contractor employees, subcontractors and third party associates.

14. YGRENE COMPLIANCE. Certified Contractor shall provide Ygrene with copies of all requested documents that relate to projects financed by or through the PACE Program or that relate to Certified Contractor certifications, licenses, insurance and bonding.

15. COMPLAINTS. Certified Contractor shall act in good faith to promptly resolve any complaints that a Property Owner files with the Certified Contractor or the PACE Program, and shall document and retain records regarding the resolution of all Property Owner disputes for the PACE Program's review and assessment.

16. LAWS/REGULATIONS. Certified Contractor shall comply with all federal state and local laws, ordinances, rules and regulations, including with all marketing, telemarketing and business laws, including, but not limited to, Telephone Consumer Protection Act, the Older American's Act including Elder Rights Protection principles, and the California Business and Professions Code, relevant to the Certified Contractor's business.

17. ADDITIONAL REQUIREMENTS; COLLABORATIVE SERVICE AGREEMENTS (CSA's). Certain cities, counties, and government entities (i.e. associations or councils of local government) have developed Collaborative Services Agreements (CSAs), that the PACE Program must comply with when operating in the applicable jurisdictional boundaries. Certified Contractor shall comply with the terms, conditions and requirements of CSAs where appropriate.

18. GENERAL TERMS. Contractors will be terminated from the program for non-compliance.

I certify that I have read and understand the Ygrene Certified Contractor Code of Conduct and that I will be terminated from the program in case of non-compliance.

Signature

Name

Company

Date

Please return a signed copy of this Ygrene Certified Contractor Code of Conduct with:

- ☐ Copy of Liability Insurance
- ☐ Copy of Workers' Comp Insurance
- ☐ Copy of Contractor's License



Eligible Improvements & Guidelines

In order to qualify for Ygrene funding, all projects must:

- Meet or exceed applicable local, state, and federal codes and standards;
- In California, comply with Title 24, Part 6, Subchapters 1. (General Provisions); 2. (Mandatory Requirements for the Manufacture, Construction, and Installation of Systems, Equipment and Building Components); 7. (Mandatory Features and Devices); and 9. (Additions and Alterations in Existing Low-Rise Residential Buildings);
- Be installed by Ygrene-certified contractors or participating property owners; and
- Be installed in accordance with manufacturer recommendations.

Alternative Energy Upgrades

PRODUCT TYPE	ELIGIBLE UPGRADE MEASURE	USEFUL LIFE (YEARS)
Alternative Energy		
	Alternative Energy Storage System	10
	Co-generation System	20
	Electric Vehicle Charging Station	20
	Fuel Cell Power System	20
	Hydrogen Fuel Power System	20
	Natural Gas System	20
	Wind Turbine Power System	20
	Emerging Energy or Water Saving Technologies	Call
	Custom Measures which can be shown to conserve water and energy or generate energy (with management approval)	varies

Renewable Generation Upgrades

PRODUCT TYPE	ELIGIBLE UPGRADE MEASURE	USEFUL LIFE (YEARS)
Solar Photovoltaic		
	Solar Photovoltaic System	30
	Solar Inverter (free-standing)	10
	Emerging Energy Saving or Generating Technologies	call
	Custom Measures (with management approval).	varies
	Written explanation and assertion of energy savings required.	
Solar Thermal		
	Solar Thermal Water Heating	20
	Solar Thermal Pool Heating	20
	Custom Measures (with management approval)	varies
	Written explanation and assertion of energy savings required.	

Energy Efficiency Upgrades

PRODUCT TYPE	ELIGIBLE UPGRADE MEASURE	USEFUL LIFE (YEARS)
High-Efficiency Lighting		
	Indoor LED Lighting Fixture	20
	Lighting Control System	20+
	Outdoor LED Lighting Fixture	20
	Custom Measures (with management approval).	varies
	Written explanation and assertion of energy savings required.	
High-Efficiency Pool Equipment		
	Automatic Pool Cover	10
	Electric Heat Pump Pool Heater	20
	Gas Pool Heater	20
	Pool Pump and Motor	20
	Custom Measures (with management approval).	varies
	Written explanation and assertion of energy savings required.	

Energy Efficiency Upgrades (cont'd)

PRODUCT TYPE	ELIGIBLE UPGRADE MEASURE	USEFUL LIFE (YEARS)
Building Envelope		
	Air Sealing	20
	Cool Wall Coating	20
	Insulation - Attic	50+
	Insulation - Exterior (walls only)	20
	Insulation - Hot Water Pipe	30
	Insulation - Under-floor	50+
	Insulation - Wall	50+
	Insulating Carpet and Padding (must show insulation rating)	10
	Patio Covers	20
	Radiant Barrier	20
	Reflective Paint	10
	Roofing - Cool (energy saving)	30
	Roofing - Insulated	30
	Roofing - Reflective (energy saving)	30
	Weather Stripping	20
	Custom Measures (with management approval). Written explanation and assertion of energy savings required.	varies
Heating, Venting & Air Conditioning (HVAC)		
	Air Conditioner - Central	20
	Air Conditioner - Mini-Split	20
	Air Filtration System	20
	Biomass/Wood Stove	20
	Boiler	20-40
	Duct Replacement	20
	Duct Sealing	20
	Evaporative Cooler	20
	Fan - Ceiling	20
	Fan - Whole House	20
	Furnace - Electric	20
	Furnace - Gas	20
	Heat Pump - Geothermal	20
	Heat Pump - Mini-Split	20
	HVAC Systems	20
	Hydronic Radiant Heating System	20
	Pellet Stove	20
	Ventilation System	25
	Ventilator - Exhaust Fixture	25
	Ventilator - Heat/Energy Recovery	25
	Custom Measures (with management approval). Written explanation and assertion of energy savings required.	varies
High-Efficiency Water Heating		
	Electric Heat Pump Storage Water Heater	20
	Electric Tankless Water Heater	20
	Gas Storage Water Heater	20
	Gas Tankless Water Heater	20
	Heating Water Circulating Pump	20
	Heating Water Controller	20
	Recirculation Hot Water System	20
	Whole House Water Manifold System	20
	Custom Measures (with management approval). Written explanation and assertion of energy savings required.	varies
	Additional building openings to provide natural light	50+

Energy Efficiency Upgrades (cont'd)

PRODUCT TYPE	ELIGIBLE UPGRADE MEASURE	USEFUL LIFE (YEARS)
Windows, Doors and Skylights		
	Doors	50+
	Exterior Window Shading Device (must be permanently secured to the interior of the property)	10
	Interior Window and Door Blinds (must be sized to the windows and mounted permanently)	10
	Interior Window Shutters (must be sized to the windows, movable and adjustable and permanently mounted)	20
	Window Shading Device - Exterior Awning (must be permanently secured to the exterior of the property)	10
	Window Shading Device - Exterior Shutter (must be permanently secured to the exterior of the property)	20
	Glass Doors - Sliding	30
	Glass Doors - French	30
	Light Tubes	20
	Skylights	30
	Windows	30
	Window Filming	10
	Custom Measures (with management approval). Written explanation and assertion of energy savings required.	varies

Water Conservation Upgrades

PRODUCT TYPE	ELIGIBLE UPGRADE MEASURE	USEFUL LIFE (YEARS)
Indoor Water Efficiency		
	Core Plumbing System (to replace/repair leaks)	20
	Demand Hot Water System	20
	Demand Water Softener	20
	Faucet Aerators	20
	High-efficiency Faucet Fittings	20
	High-efficiency Showerheads	20
	High-efficiency Toilets	50+
	High-efficiency Toilet Fixtures	50+
	Hot Water Delivery System	20
	Recirculation Hot Water System	20
	Waterless Urinals	20
	Custom Measures (with management approval). Written explanation and assertion of energy savings required.	varies
Outdoor Water Efficiency		
	Artificial Turf	15
	Drip Irrigation System	20
	Drought Tolerant Landscaping	20
	Gray Water System	20
	Gutters (only if part of water collections or part of eligible re-roof)	20
	Pavers (only if replacing grass or other watered features)	30
	Sewer Lateral	20
	Sewer Lateral Repair (must be repair of existing damaged and leaking pipes)	20+
	Trenchless Sewer Lateral Lines	30
	Septic to Sewer Conversion (must comply with local codes, permitting and fee requirements)	20+
	High-efficiency Sprinkler Nozzle	10
	High-efficiency Irrigation Pump	20
	High-efficiency Irrigation System	20
	Irrigation Control System	20+
	Rainwater Catchment System	20
	Weather-based Irrigation Controller	20+
	Custom Measures (with management approval). Written explanation and assertion of energy savings required.	varies

Wind Resistant Measures (FLORIDA ONLY)

PRODUCT TYPE	ELIGIBLE UPGRADE MEASURE	USEFUL LIFE (YEARS)
Wind Resistant Measures (FLORIDA)		
	Gable-end Bracing	20
	Cable Hold-Downs	20
	Foundation Strengthening	20
	High-Impact Doors	20
	High-Impact Windows	20
	Opening Protections	varies
	Roof Deck Attachment Strengthening	20
	Roof-to-Wall Reinforcement	20
	Sea Walls	20
	Secondary Water Barrier	20
	Sill Plate Attachment Strengthening (tie downs)	20
	Storm Shutters	20
	Waterproofing	20
	Wind Resistant Roofing	20
	Wind Resistant Shingles	20
	Custom Measures (with management approval). Written explanation and assertion of energy savings required.	varies

Additional Building Improvements (NON-RESIDENTIAL)

PRODUCT TYPE	ELIGIBLE UPGRADE MEASURE	USEFUL LIFE (YEARS)
Control Systems		
	Building Energy Efficient Management Control Systems	20+
	Elevator Motors and Controls (energy efficient)	20-30
	HVAC Duct Zoning Control System (energy efficient)	20+
	HVAC Control System	20+
	Industrial Process Equipment Motors and Controls (energy efficient)	20+
	Irrigation Pumps and Controls (energy efficient)	20+
	Kitchen Exhaust Air Volume Control System (energy efficient)	20+
	Lighting Control System (energy efficient)	20+
	Custom Measures (with management approval). Written explanation and assertion of energy savings required.	varies
High-Efficiency Lighting		
	High-efficiency Lighting (classroom, office, industrial, etc.)	20
	Occupancy Sensor Lighting	20
	Lighting Control System	20+
	Refrigeration Case Lighting with Occupancy Sensors	20
	SMART Parking Lot Fixtures	20
	SMART Parking Garage Fixtures	20
	SMART Pathway Lighting	20
	SMART Wall Pack Fixtures	20
	Task Ambient Lighting	20
	Wireless Lighting Controls	20+
	Custom Measures (with management approval). Written explanation and assertion of energy savings required.	varies
Water Efficiency		
	Cooling Condensate Reuse	20
	Cooling Tower	25
	Cooling Tower Controllers	25
	Core Plumbing System (to replace/repair leaks)	20
	Deionization Equipment	20
	Industrial Process Water Reuse	20

Additional Building Improvements (NON-RESIDENTIAL)(cont'd)

PRODUCT TYPE	ELIGIBLE UPGRADE MEASURE	USEFUL LIFE (YEARS)
Water Efficiency		
	Pre-rinse Spray Valves	20
	Recycled Water Sources	20
	Custom Measures (with management approval)	varies

© 2016 Ygrene Energy Fund. All rights reserved.

YgreneWorks.com | 877.819.4736

400024616



PACE Consumer Protection Policies

Version 1.0 (PACENation date May 10, 2016)

(Residential PACE Programs)

GSFA Proposed Amendments Included

1. OVERVIEW

Property ~~a~~ssessed ~~e~~Clean ~~e~~Energy (“PACE”) programs enable a much broader range of homeowners to implement energy efficiency, renewable energy, weather resiliency, ~~and~~ water efficiency and seismic safety improvements that increase the value, functionality, and sustainability of their homes. Such improvements (“Improvements” or “Measures”) make homes less costly to operate and more comfortable to live in, while simultaneously reducing energy and water consumption. Without PACE Programs many homeowners would have no, or only costlier, access to these Measures.

PACE Programs (“PACE Programs”), including the government authorities sponsoring and administering them and, where applicable, the entities who help implement them (“Partners”), provide advice, tools and resources that enable homeowners to make smart, informed and responsible choices regarding such Measures. PACE Programs must be responsible for ensuring that the advice, tools and resources are appropriate and accurate, which means that care must be taken with homeowners before, during and after the origination of Program financing. Consumer protections that serve homeowners must be a core value of PACE Programs and Partners. In this document, “Partner” refers to the government authority in all cases where a Program does not include a third party non-government partner.

PACENation recommends that PACE Programs implement consumer protection policies that meet or exceed the standards set forth herein, addressing the following areas: (1) Eligibility and Risk, (2) Disclosures and Documentation, (3) Financing Terms, (4) Operations, (5) Post-Funding Support, (6) Data Security, (7) Privacy, (8) Marketing and Communications, (9) Protected Classes, (10) Registered Contractors, (11) Eligible Products, (12) Pricing, (13) Reporting, and (14) Closing & Funding.

PACE Programs that meet or exceed these standards provide homeowners with a greater level of consumer protection than any other form of PACE financing. The recommended consumer protection policies set forth herein can help guide PACE Program implementation to ensure homeowners realize maximum benefit.

Golden State Finance Authority (GSFA) Statement on Public Benefits of PACE Programs:

Formatted: Underline

Thirty-two states and the District of Columbia have enacted legislation enabling PACE programs. PACE programs provide an essential public benefit and contribute to the general public welfare by reducing carbon emissions, improving the quality of the environment, and improving energy and water resiliency of the U.S. building stock.



PACE programs provide demonstrated public benefit while enabling an unprecedented range of homeowners to access energy efficiency, renewable energy and water efficiency measures that improve the financial, functional and environmental aspects of home ownership. Such improvements make homes less costly to operate and more comfortable to live in, while reducing energy and water consumption. Without PACE programs many homeowners would have no, or more costly, access to such benefits.

Formatted: Left

Formatted: Font: 12 pt



1. ELIGIBILITY AND RISK

Policy Summary:

The GSFA and Ygrene Energy Fund's "Ygrene Works" PACE Program (the "Program") blends traditional credit risk



considerations together with statutory requirements and administrative policy objectives to develop specific risk and eligibility criteria for participation in the Program. These criteria take into account the unique risk profile that PACE financing presents to enable qualifying homeowners to access it. While this process will exclude unqualified homeowners and properties, special consideration has been given to develop inclusive standards. The criteria examine four key attributes of every financed project: (1) the real property ("Property") on which the improvements will be installed, (2) the encumbrances presently recorded against the Property, (3) the nature of the improvements to be installed; and (4) the homeowner's mortgage and property tax payment history.

1.1. **Properties.** Consistent with foundational considerations, it is the policy of the Program to make the Program available to the entirety of the existing residential housing stock in ~~political~~within the jurisdictional boundaries of the Program. Properties for which ~~their form of financing Consumer Protection Policies (CPP) is does not available~~apply include: (i) commercial properties (including residential properties comprising five (5) or more units), (ii) new commercial properties under construction and (iii) properties that cannot be subject to an assessment or levy. If requested in good faith by a homeowner whose Property has been found ineligible, the Program or Partner may undertake a "second look" eligibility review of the applicant's Property, re-examining the specific attributes of the Property in question and confirming or modifying the original determination.

1.2. **Encumbrances.** The encumbrance profile of properties is an important element in determining whether or not they qualify for Program participation. The Program is designed to harness unused financing capacity of homes in which eligible improvements are installed. Such financing is inappropriate if it burdens properties and their owners too greatly. Accordingly, properties eligible for Program financing will have the following attributes:

- 1.2.1. All mortgage-related debt on the Property may not exceed 90% of the Property's fair market value ("FMV"), or assessed value if market value data is unavailable or unreliable, at the time of initial approval;
- 1.2.2. Reliability of the Program FMV model should be ~~verified through an accepted and regular audit process, sampling appraisal data as a means of measurement and verification derived from residential industry accepted and reputable third-party valuation services;~~
- 1.2.3. The financing may not exceed (A) (i) fifteen percent (15%) of the FMV of the Property, up to the first seven hundred thousand dollars (\$700,000) of the Property's FMV, and (ii) ten percent (10%) of the remaining value of the Property above seven hundred thousand dollars (\$700,000) minus (B) any existing PACE assessments on the Property;
- 1.2.4. The total mortgage-related debt on the underlying Property plus Program financing may not exceed the FMV of the Property; and
- 1.2.5. The total amount of any annual property taxes and assessments shall not exceed ~~five percent (5%) of the Property's FMV, determined at the time Program financing is~~

Commented [GN1]: NOTE: Property value may be derive from reputable third-party valuation providers including Black Knight and CoreLogic, an appraisal dated within the last 6 months, a settlement statement which provides recent sales confirmation, or assessed value from the county assessors website. Ygrene currently uses Black Knight XML and Automated Valuation Model (AVM) products Sitex and Home Value Explorer (which are Fannie Mae and Freddie Mac approved products).



~~approved the statutory cap as established by the relevant PACE law.~~

Commented [GN2]: NOTE: The 5% cap is a requirement of AB 811 and not SB 555. Exceeding the 5% cap permits the homeowner the opportunity to select a shorter term and pay less interest over the term of the payment period.

- 1.3. **Eligible Improvements.** The Program provides financing for a broad range of eligible products and projects permanently-affixed to the Property, the details of which are set forth in Section 11 below. The Program is not available to finance ineligible products and projects, which comprise anything not specified in Section 11, subject to an appeal and review of specific measures on a case by case basis by the Partner and/or Program. While the Program is responsible for confirming compliance with the Section 11 requirements, it is not responsible for determining post-installation energy performance, savings or efficacy of such products or projects. The Program relies on applicable state law and data and ratings from the U.S. Department of Energy, the Environmental Protection Agency, and other federal and state government agencies and applicable PACE laws in determining what constitutes an eligible Improvement or Measure.
- 1.4. **Homeowners.** PACE Program assessments typically appear as line items on property tax bills and homeowners repay their financing when they pay their property tax bills. The mortgage and property tax payment history of a homeowner of record is, thus, an important factor in determining a homeowner's eligibility to participate in the Program. Accordingly, at the time of application, homeowners eligible for Program financing will at a minimum have status and payment histories that are consistent with the following:
- 1.4.1. The applicant is the homeowner of record;
- 1.4.2. Property tax payments for the assessed Property are current. Additionally, the homeowner must certify that there has been no more than one late payment for the shorter of (i) the previous three years, or (ii) since the present homeowner acquired the Property;
- 1.4.3. The homeowner is current on all mortgage debt, and has ~~been late on such payments no more than once (30 days maximum) during the 12-month period preceding funding~~ not had a Notice of Default (NOD) recorded on the property for the last 3 years;
- 1.4.4. ~~The applicant has not had any active bankruptcies within the last 7 years; provided, however, that this criterion can be met if a homeowner's bankruptcy was discharged between two and seven years before the application date, and the homeowner has had no past due payments (mortgage and non-mortgage) for more than 60 days in the most recent 24 months~~ homeowner is not currently in bankruptcy; and
- 1.4.5. The homeowner has no involuntary lien(s) recorded against the Property in excess of \$1,000.
- 1.4.6. There may be no pending Notice of Default on the property and no more than one recorded Notice of Default for the shorter of (i) the previous three years, or (ii) since the present homeowner acquired the Property.

Commented [GN3]: NOTE: CAEATFA standard is no current NOD. Ygrene standard is stronger with no NOD for last 3 years.

Commented [GN4]: NOTE: The Ygrene portfolio has a lower default rate, higher average FICO and lower average loan-to-value). It is both CAEATFA and Ygrene investor standard for no current bankruptcy.



2. DISCLOSURES & DOCUMENTATION

Policy Summary: The enforceability of the Program is derived from the documentation established and approved by GSFA consistent with enabling state legislation. In states where judicial validation proceedings are available, it is considered best practice to complete judicial validation of the Program prior to commencement. The GSFA Ygrene Works program judicial validation was completed on July 22, 2015. Documentation for Program participants should ensure compliance with these consumer protection policies and must be clear, complete, and fair to all parties. A reader who has spent time with the documentation should develop an unambiguous understanding of each and every right, risk and obligation associated with the Program's financing product. PACE is a new form of financing that, while sharing some features of traditional financing, presents new considerations for homeowners. Best practices counsel the Program to disclose traditional "know before you owe" financing terms ("Disclosures" e.g., interest rates, financing term, payment amounts). Disclosures covering the Program financing's specific repayment cycle (typically, annual or semiannual) and the Federal Housing Finance Authority's announcement regarding payoff of Program financing at the time of sale or refinance are among the new considerations. In the end, a homeowner who understands the Program's disclosures will be informed and have a clear understanding of the Program's traditional and non-traditional features.

2.1. **Document Timing.** Before commencement of any Program-financed project, a homeowner ~~needs to~~must: (i) submit an application; (ii) receive approval of the Measures from the Partner; and (iii) execute documentation covering the terms and disclosures summarized in this Section. Following installation of the Measures, a homeowner ~~needs to~~must: (i) execute an acknowledgement that the installation of the Measures has been completed satisfactorily; and (ii) receive and approve a final summary of costs and payments. Delivery to and execution of all such documentation by the homeowner is the responsibility of the Partner.

2.2. **Terms.** Terms that are fundamental to the Program and that need to be reflected in its Disclosures comprise: (i) the amount financed including the cost of the installed Measure(s), together with Program fees and capitalized interest, if any, (ii) the repayment process and schedule, (iii) the payment amounts, (iv) the term of the financing (that does not exceed the average useful life of the Measures), (v) the rate of interest charged (such rate to be fixed and not variable), (vi) a payment schedule that fully amortizes the amount financed, (vii) the nature of the lien or obligation created upon recordation, (viii) the specific improvements to be installed, (ix) the 3-day right to cancel the financing, (x) the right to withhold approval of payment until the project is complete, and (xii) any other relevant state specific rights, notices, or requirements (e.g. in California, Section 5899.2 rights for solar lease improvements). It is the responsibility of the Partner to prepare, deliver and arrange for execution of documents reflecting such



terms.

- 2.3. **Disclosures Policy.** Disclosures ensure that homeowners are aware of and understand key Program financing terms and risks that appear in the Program's documentation. It is the policy of the Program that Partners confirm delivery to, and receipt by, homeowners



of these Disclosures, and obtain written acknowledgement that homeowners have read and understand them. The following comprise key Disclosures of the Program provided by Partners in a financing summary in the form substantially similar as attached hereto as Attachment A.

Disclosures	Description
Term of financing	The maximum time period of the financing
Amount financed	The total amount financed, including the installed cost of the Measure(s), Program fees and capitalized interest, if any
Annual payment amount	The amount due each year, even if paid in semi-annual installments or through impound payments
Annual interest rate/APR	The effective interest rate after taking into account all fees and capitalized interest
Improvements financed	The Measures installed
FHFA risks	The risk that the homeowner may need to pay off the PACE <u>special tax or</u> assessment at the time of sale or refinance
Right to cancel	The 3-day right to rescind the financing
Prepayment	The right to prepay the Program financing with clearly defined penalties, if any, <u>depending on the option and terms selected by the homeowner.</u>

Formatted: Indent: Left: 0"

Formatted: Justified

Formatted: Justified

Formatted Table

Commented [GN5]: NOTE: Homeowners have the option of a reduced rate depending on selection of prepayment options.

The following comprise additional key Disclosures of the Program provided by Partners.

Disclosures	Description
Program overview	A document or section of a document that provides a comprehensive summary of the Program, including a summary of a homeowner's rights and obligations
Property tax repayment process	Description of the property tax payment process and the line item for repayment of the Measures that the Program financed
Tax benefits	Tax credits or benefits associated with the purchase of certain Measures and the annual payments related to them.
Privacy	A notice describing the privacy policies of the Program
Federal disclosures	Those appearing in the Program application
Foreclosure	The risk of foreclosure and the foreclosure process in the event of a homeowner default

Formatted Table

24 **Confirmation of Terms.** For all Program financing applications associated with contractors that are either new to the Program or are on a Partner's "watch list" (i.e. those



contractors that are not “Top Rated Contractors” defined below), it is the policy of the Program that such Partner confirm live by telephone with the homeowner applicant each Program financing term listed in (b)-(h) of this Section 2.4 below. These confirmation requirements do not apply to contractors who have reached the Partner’s top rating category (the “Top Rated Contractors”). For Top Rated Contractors, it is the policy of the Program that the Partner conduct randomized calls to homeowners to confirm financing terms.

Notwithstanding the above, irrespective of the contractor with whom the Program financing is associated, it is the policy of the Program that the Partners confirm live by telephone for each applicant who is over 64 years old the Program financing terms listed in (a)-(h) of this Section 2.4 below, and any other special categories of homeowners as designated by the Program. For avoidance of doubt, for homeowners over 64 years old, a voicemail message does not satisfy the requirement of Program financing term confirmation under this Section 2.4.

When confirming terms of a Program financing with a homeowner, the Partners will request the homeowner to describe generally the improvement(s) being financed using the Program financing, and will ascertain that the homeowner understands:

- (a) The reason for the specific improvement(s) being obtained by such homeowner.
- (b) His or her total estimated annual payment.
- (c) The date his or her first tax payment will be due.
- (d) The term of the Program financing.
- (e) Any additional fees (including recording fees) that will be charged to him or her.
- (f) That payments for the Program financing will be added to his or her property tax bill and will cause the property tax bill to increase.
- (g) That he or she may make payments on the Program financing either directly to the county assessor’s office or through his or her mortgage impound account.
- (h) That before any assessment contract or application (the “Pending Project”) is executed, the Partner has asked and the homeowner has confirmed that no Measures other than the Pending Project are underway, and has agreed, at any time before funding of the Pending Project, to inform Partner if homeowner has authorized any new Measures.

2.5 Lender Disclosure Policy. For all program financing contracts, a notification must be sent to all lenders of record outlining the key terms of the project to be undertaken on the Property. This notification shall be transmitted by the partner on behalf of, and with the consent of, the Property Owner.

Formatted: Indent: Left: 0.5"

Commented [GN6]: NOTE: Believe to be best practice for full notification to mortgage lender.

Formatted: Font: Bold

Formatted: Font: Bold, Underline

Formatted: Font: Not Bold

Formatted: Font: Bold



3. FUNDING

Policy Summary: PACE is a new form of financing that, while sharing some features of traditional financing, presents new considerations for financing capital sources and structures. Best practices counsel the Program to proactively solicit feedback from Program stakeholders and homeowners and incorporate things learned into policy improvements which benefit homeowners.

- 3.1. **Interest Rates.** It is the policy of the Program that Partners offer fixed simple interest rates and payments that, whether they are level or vary over the term of financing, fully amortize the obligation. Variable interest rates or negative amortization financing terms are not permitted.
- 3.2. **Sustainable Funding Source.** It is the policy of the Program that Partners establish a sustainable source of capital for funding PACE projects separate from the Authority's general fund or budget and have access to capital markets to ensure funding for qualified projects is available on a consistent basis. A Partner must demonstrate the capacity to fund assessments that the Program and Partner anticipate originating through such Partner over a six (6) month period immediately following the Program's review of such Partner's financial statements.
- 3.3. **Subordination.** For Programs in states with senior lien PACE statutes, a Program and/or its Partners may accommodate owners of PACE assessed homes and prospective buyers of such homes by offering to subordinate certain of its/their rights derived from the PACE assessment lien to the lien of a mortgage or deed of trust. The subordination may provide the lien under a mortgage or deed of trust with senior rights such that the lender will be induced to provide a mortgage loan on a PACE-assessed property. The subordination option may be made available to homebuyers and homeowners in accordance with policy agreed upon by the PACE Program and the Partner.
- 3.4. **Contractor Fees.** It is the policy of the Program that Partners can only charge fees to contractors offering Program financing as long as Partners (i) clearly and conspicuously disclose such fees to homeowners and (ii) require that contractors absorb such obligations and not pass such fees on to homeowners.

Commented [GN7]: NOTE: The rate will be fixed, however, Mello Roos permits payment flexibility. Payments achieving full amortization are known up front. This option can permit the homeowner to select lower initial payments.



4. OPERATIONS

***Policy Summary:** Operations refers to the staff, procedures, and systems that Partners use to deliver the Program to homeowners and provide them with ongoing support. For Partners, operational competence rests on the ability to perform well in a range of areas and disciplines, such as accounting, finance, capital markets, risk assessment, legal, compliance, government affairs, municipal engagement, training, marketing and sales, contractor engagement, business development, and corporate development. While each operating unit incorporates thoughtful and highly effective consumer protections in the work it produces, Operations is the gatekeeper responsible for assuring that the Program has the people, processes, tools and technology necessary to deliver to homeowners the Program financing product, as well as the consumer protections described in these Policies.*

- 4.1. **Operational Consumer Protection Policies.** The Program and its Partners will provide people and develop processes, tools and technology necessary to support the consumer protection measures described in detail elsewhere in this policy, including: (i) risk and underwriting processes; (ii) terms and documentation delivery systems; (iii) documentation, maintenance and retrieval processes; (iv) disclosure development, delivery and acknowledgment receipt; (v) post-funding support for homeowners and other stakeholders such as real estate professionals; (vi) data security measures; (vii) privacy policy development and protections; (viii) marketing and communication oversight; (ix) protected class data and communication processes; (x) contractor management and engagement; (xi) eligible product database and/or list development and maintenance; (xii) implementation of the maximum financing amounts; (xiii) key metrics reporting; (xiv) closing and funding processes (including the ability to fulfill financing obligations); (xv) examination data production; and (xvi) implementation of procedures to identify and prohibit conflicts of interest within and associated with the Program.



5. POST-FUNDING HOMEOWNER SUPPORT

***Policy Summary:** A public/private partnership is at the core of the Program. This partnership carries with it elevated consumer protection responsibilities that apply to the Program with as much significance during the post-funding period as they do during the time of application and origination. Establishing and operating an executive office responsible for customer care that responds to inquiries, complaints, contractor and workmanship concerns, product performance questions and related matters for the lifecycle of the improvements financed is fundamental to the consumer protections that the Program provides.*

- 5.1. **Proactive Engagement.** It is the policy of the Program that the Program and its Partners proactively monitor and test the consumer protections delivered to homeowners, and to request feedback from homeowners and contractors to identify areas in need of improvement.
- 5.2. **Onboarding.** It is the policy of the Program that Partners develop and implement a post-installation onboarding procedure for homeowners to reinforce key characteristics of the Program, such as those highlighted in the Program disclosures.
- 5.3. **Payments.** It is the policy of the Program that each Partner have disclosures and resources in place to resolve any homeowner questions regarding payments. The Program requires that each Partner implement procedures for responding to requests for ~~partial or full~~ prepayment of their PACE property tax assessment in a timely and complete manner, matters regarding impound account catch up payments, payment timing inquiries and payment amount reconciliation among others.
- 5.4. **Inquiries and Complaints.** It is the policy of the Program that its Partners receive, manage, track, timely resolve, and report on all inquiries and complaints from homeowners. This policy contemplates Partners have an ability to perform inspections, meet with homeowners and contractors, investigate matters, and mediate resolutions with homeowners and contractors. Partners must proactively work to resolve inquiries and complaints in a reasonable and timely manner and in accordance with the Program guidelines and must make communication for homeowners available during regular business hours by phone, email and facsimile communication.
- 5.5. **Real Estate Transactions.** It is the Program's policy that Partners develop capabilities to assist homeowners who are refinancing or selling their Properties. The Partner must support real estate professionals providing services to refinance and sales transactions for properties with PACE assessments.

Commented [GNS]: NOTE: Ygrene financing doesn't offer partial prepayment. The Homeowner can however fully prepay or refinance the lien.



6. DATA SECURITY

Policy Summary: Trust is fundamental to any financing relationship, and Program financing is no exception. The public/private partnership at the center of the Program, as well as the confidential relationship homeowners have with a Program Partner mandate that any market-ready Program be in robust compliance with sturdy cyber-security standards, and in particular develop secure and tested processes that protect homeowner personal identifiable information at points of potential vulnerability, especially during the application process.

6.1. **Information Systems.** It is the policy of the Program that each Partner develop and comply with secure and tested processes to protect the personal identifiable information of the homeowner described in Section 7 below, ~~including: Security policies and practices utilized are to, at a minimum: comply with all applicable government laws and regulations for the protection of personal data and information as well as remain current with applicable industry standards. Security measures and practices are subject to audit as directed by the Authority.~~

Commented [GN9]: NOTE: Personal data and security laws and regulations, and in particular, industry practices and standards, are updated regularly. Additionally, tools and practices to comply and ensure data vary by operational environment.

- ~~6.1.1. A cyber-security policy and protocol that, at a minimum, requires data encryption "during transmission" and "at rest," and compliance with sturdy cyber-security standards.~~
- ~~6.1.2. A protocol for access to information based upon job function and need-to-know criteria.~~
- ~~6.1.3. Measures that protect the security and confidentiality of consumer records and information, including, without limitation, requiring all computers and other devices containing any confidential consumer information to have all drives encrypted with industry standard encryption software.~~
- ~~6.1.4. Monitoring and logging all remote access to its systems, whether through VPN or other means.~~
- ~~6.1.5. Data security policies that are subject to auditing and penetration testing conducted by an independent auditor hired by the Authority at least annually and any time a change is made that may have any potential impact on the servers, security policies or user rights.~~
- ~~6.1.6. Ensuring minimum viable configurations are in place on all servers. All firewalls should have continuous logging enabled. In addition, access control lists and audited server configurations should be used to ensure that data security is maintained.~~

6.2. **Personnel.** Each partner is responsible for:

- 6.2.1. Informing and enforcing compliance with the Program's data privacy and security policies on the part of every employee, contractor, vendor, agent, service provider, representative, and associate who is exposed to personal identifiable information of homeowners.



- 622. Implementing protections and controls to prevent unauthorized copying, disclosure, or other misuse of sensitive consumer information.**



7. PRIVACY

Policy Summary: *The trusting and confidential relationship that exists between homeowners and the Program extends to the Partners' use of homeowner data. Compliance with the Gramm-Leach-Bliley Act as well as the establishment of clear opt-in and opt-out protocols for information sharing are the pillars of the Program's privacy policy. More broadly, the Program must protect and manage sensitive consumer information, respect the privacy of all homeowners, and implement robust controls to prevent unauthorized collection, use and disclosure of such information. These protections are subject to the limitation that property owner names, property address, special tax or assessment amount, payment amount and other terms of the PACE financing are public information consistent with property tax law.*

Commented [GN10]: NOTE: To provide full disclosure to homeowner regarding information associated with the financing.

7.1. Privacy Policy. The Program obtains sensitive personal identifiable information (e.g., full name, home address, social security number, date of birth) from homeowners as part of the Program application process or through other homeowner touch points with the Program. It is the Program's policy that each Partner develop and deliver to homeowners prior to receipt of such personal identifiable information, a privacy policy that complies with state and federal law (e.g., the Gramm-Leach-Bliley Act). The privacy policy must expressly prohibit sharing personal identifiable information with third parties without the homeowners' express authorization except where expressly permitted by state and federal law. Such privacy policy will cover (i) the sources from which sensitive consumer information is obtained, (ii) the Partner's use of sensitive consumer information, and (iii) a mechanism by which a consumer may opt-out of sharing information. The Partner will deliver to homeowners any updates to such privacy policies.

7.2. Application Process. It is the policy of the Program that all personal identifying information provided by a homeowner to a Partner during the application process is provided directly by the homeowner to the Partner. The Partners will establish processes and controls to ensure that personal identifiable information of a homeowner is obtained directly from such homeowner (or his verifiable legal representative or attorney in fact) and not from a contractor or other third party.



8. MARKETING & COMMUNICATIONS

Policy Summary: Clear, informative, truthful, balanced, transparent and complete communications are essential for the Program. The stakeholders of any Program include homeowners, contractors, the governing authorities, government officials and staff, investors, finance partners, real estate professionals, mortgage lenders, and its Partner(s) among others. Communications or acts and practices that mislead stakeholders, add ineligible expense to PACE financing or to the Program, abuse stakeholders, or otherwise fail to meet the core communication standards of appropriateness for the Program are not acceptable.

8.1. **Prohibited Practices.** The Program prohibits practices that are or could appear to be unfair, deceptive, abusive, or misleading, violate federal or state laws or regulations, provide tax advice, ~~are or are~~ in any way inappropriate, incomplete or inconsistent with the Program's purpose. Marketing practices that are likely to add unnecessary expense to a homeowner, that unlawfully use sensitive consumer data or that violate any other law or regulation are prohibited. Partners and Registered Contractors that make marketing or sales telephone calls must not violate federal or state "Do-Not-Call" laws. Each Partner is responsible for developing and enforcing marketing practices that meet the approval of the Program.

8.2. **Permitted Practices.** It is the policy of the Program to adhere to all legal and regulatory requirements (e.g., telemarketing) pertaining to its advertising and marketing efforts. On the basis of providing clear and concise communication to consumers, any practice that promotes informed decisions on the part of homeowners and is not prohibited as described in section 8.1 above is permitted. The Partner is responsible for developing, delivering to and enforcing marketing guidelines for the Program's Registered Contractors that meet the approval of the Program Administrator. Any marketing materials that fall outside of marketing guidelines established must be approved by the Partner to ensure that they are not unfair, deceptive, abusive and/or misleading.

8.3. **Tax Advice.** It is the policy of the Program that no Partner, Contractor or other related third party who is not a tax expert may provide tax advice to homeowners regarding Program financing, including affirmative statements or claims as to the tax deductibility of the PACE payments. Homeowners are encouraged to seek the advice of an expert regarding tax matters related to the Program. Therefore, it is acceptable for marketing materials to include a statement such as: "PACE financing may have certain tax benefits. Consult your tax advisor to find out what, if any, may apply to your individual circumstances". The Program shall monitor and test the sales practices of employees and contractors to confirm adherence to the policy set forth in this Section 8.3.

Commented [GN11]: NOTE: Added to provide clarity as to appropriate communication regarding potential tax benefits.



May 10, 2016

- 8.4. Payments in Exchange for Financing. It is the policy of the Program that no Partner provide a direct cash payment, monetary incentives, gifts, or other thing of material value to a Registered Contractor



or Affiliated Individual (as those parties are defined in Section 10) in exchange for or related to such contractor or Affiliated Individual's (i) signing up or continuing to work with such Partner or (ii) offering Program financing to a homeowner. For avoidance of doubt, the limitations provided in this Section 8.4 are not intended to prevent a Partner from either (A) paying for co-marketing materials that name the Partner and the Registered Contractor to whom such payment is made after the Partner receives receipt(s) from the Registered Contractor evidencing the amount spent on such co-marketing or (B) providing a Registered Contractor or Affiliated Individual with other non-cash things of value that by their nature directly contribute to the value of the Program



9. PROTECTED CLASSES

Policy Summary: Each Partner must ensure compliance with all state and federal laws that cover individuals in protected classes, including those based on race, religion, color, marital status, gender, sexual orientation, national origin, citizenship, presence of children, disability, age, veteran status, participation in a public assistance program, or because an applicant has in good faith exercised any right under the Consumer Credit Protection Act. Heightened protections for homeowners over 64 years old, such as confirming understanding of financing terms and project specifications, is a specific requirement of the Program. Unintentional non-compliance will not excuse a failure to comply with all state and federal laws regarding protected classes.

- 9.1. **General.** The Program requires that Partners develop controls and methods to monitor and test compliance with all state and federal laws covering homeowners in protected classes.
- 9.2. **Elders.** Each Partner must develop and implement a protocol to ensure that all homeowners over 64 years of age understand the purpose of each Measure for which Program financing is sought, and the terms of such financing as described in Section 2.4.
- 9.3. **Financing Application Access and Decisions.** It is the responsibility of the Partner to provide legally unbiased access to and decisions regarding Program participation to all applicants for Program financing.



10. REGISTERED CONTRACTOR REQUIREMENTS

Policy Summary: Contractors and their sales persons are one of the primary means by which homeowners become aware of Program participation options. Contractors and their sales persons enter into contracts with a Partner, and register with all relevant state and local licensing boards and agencies. Contractors are required to complete training courses, follow a code of conduct, maintain insurance, post bonds, follow marketing requirements, among other obligations, all of which are designed to assure positive and productive homeowner interaction with the Program.

- 10.1. **Policies.** It is the policy of the Program that all contractors who sell, install, or manage subcontractors who install eligible Measures will have become “Registered Contractors” ~~by executing the Program’s Contractor Participation Agreement (the “PCPA”) with the Program, and that all such Registered eContractors and all of their employees, entities, owners, partners, principals, and sub- contractors (collectively, the “Affiliated Individuals”) must meet the requirements of the Program PCPA, which include:~~

- 10.1.1. Compliance with any relevant state contractor code of conduct, ~~a sample of which is attached hereto as Attachment B—;~~
- 10.1.2. Maintenance of an active license, and being in good standing, with any relevant state licensing board, as well as maintenance of insurance and an ability to meet bonding requirements;
- ~~10.1.3. Execution of the PCPA only by a person who is authorized to act on behalf of the Registered Contractor;~~
- ~~10.1.4.10.13.~~ Oversight and management of employees, independent contractors and subcontractors who provide services to Registered Contractors accessing the Program;
- ~~10.1.5.10.14.~~ Meeting all other state and local licensing, training and permitting requirements;
- ~~10.1.6.10.15.~~ Compliance with the Program’s marketing policies; and
- ~~10.1.7.10.16.~~ Ensuring all Affiliated Individuals register with the Program, including completing the Program’s identity verification procedures.

Commented [GN12]: NOTE: A contract with the Contractor creates additional liability to the Program. The Contractor is in contract with the homeowner. This is an operational/business decision as it becomes a business risk.

Commented [GN13]: NOTE: Ygrene maintains a watch-list of all contractors issues and has suspended bad performers from the Program, even without a contract.

Commented [GN14]: NOTE: Ygrene currently recertifies contractor licensing on every project.

- 10.2. **New Contractors.** Regarding Registered Contractors new to the Program, it is the policy that the Partner:

- 102.1. Has a specified probationary period (i.e., place the new Registered Contractors on a watch list) until the new Registered Contractors have completed the required number of Measures;
- 102.2. Has procedures in place, during the Registered Contractor probationary period, to provide additional quality assurance steps for Measures completed by the Registered Contractors on the watch list; and



- 102.3. Has procedures in place to review Registered Contractor work to confirm satisfactory completion of projects conducted during the probationary period for which Program financing is used.
- 103 **Contractor Management.** It is the policy of the Program that the Partner implement contractor management systems and procedures that manage and track contractor training, homeowner complaints, and compliance violations on an individual and company basis.
- 104 **Contractor Training.** It is the policy of the Program that each Partner make available contractor training regarding, at a minimum, the following: (i) the applicable contractor code of conduct terms as required by the Program, (ii) protected classes, including, without limitation, elder protection, and (iii) other consumer protection measures as required by the Program.
- 105 **Remedial Action.** Partners may warn, suspend or terminate a Registered Contractor and/or Affiliated Individual from the Program based on violations of ~~these policies or at the discretion of the Partner in the best interest of homeowners and the Program, the Contractor Participation Agreement.~~ The Program does not accept Program applications processed by suspended or terminated contractors and/or associated representatives.



11. ELIGIBLE PRODUCTS

Policy Summary: *The Program enables and encourages homeowners to install Measures which are permissible under state law and designed to save energy or water, generate renewable energy, or produce other public benefit (e.g., seismic retrofits). The Program is responsible for implementing practices and controls (e.g., eligible product databases and product confirmation processes) to ensure that financing is used only for eligible Measures, and that it is not provided for ineligible ones. Program product eligibility criteria ensure that property owners are financing improvements which are industry recognized for achieving higher levels of home energy or water efficiency, renewable energy generation, seismic retrofits, or other state specific approved Measures. While the Program is responsible for confirming compliance with the initial capacities of such products, it is not responsible for determining post-installation energy performance, savings or efficacy of such Measures.*

- 11.1. **Policies.** Consistent with the objectives of the PACE enabling legislation, it is the policy of the Program through consultation with the Partner and the Authority to:
 - 11.1.1. Establish and maintain an eligible products database and/or list, documenting the associated eligibility specifications for each product that conform to the requirements outlined in Attachment –C hereto;
 - 11.1.2. Define a process for adding to or modifying the eligible product database;
 - 11.1.3. Ensure that eligible product energy efficiency/water efficiency/energy generation (as applicable) performance standards are calibrated and verified using performance criteria that the U.S. Department of Energy, U.S. Environmental Protection Agency, and/or other federal and state agencies or other reputable parties have established;
 - 11.1.4. Use credible third party sources to determine the useful life of each installed product, which will be used to set the maximum term for financing from the Program; and
 - 11.1.5. Require that each product is permanently affixed to the Property.
- 11.2. **Procedures.** It is the policy of the Program that the Partner establish procedures confirming that the homeowner applying for Program financing intends to install eligible products, and that at the time of funding such improvements have been installed.
- 11.3. **Ineligible Products.**
 - 11.3.1. Financing of ineligible products under the Program is prohibited.
 - 11.3.2. Products that are not included on the eligible products list or in the eligible products database can be submitted for review by the Program, if a homeowner has reason to believe they should have been included.



12. MAXIMUM FINANCING AMOUNT

Policy Summary: Many homeowners cannot readily access price information regarding the installation of energy efficiency, renewable energy and water conservation improvements for their homes, and cost often is a key economic consideration. While the Program does not set price controls, it implements ~~a maximum financing amount ("MFA") procedure based upon the fair market value of the Measures. The MFA sets the ceiling for amounts that can be financed.~~ procedures to monitor conformance with generally accepted market pricing ranges.

Commented [GN15]: NOTE: This is more of an operational matter. Ygrene establishes pricing ranges rather than a flat cap. Homes are significantly different styles, sizes and ages, as such Ygrene prefers ranges to deal with the variances while achieving similar benefits of ensuring appropriate market pricing.

The Program's maximum financing amount policies provide as follows:

- 12.1. It is the policy of the Program to develop ~~MFA~~ generally accepted market pricing ranges based on market data and each Partner's experience, but not to set pricing for installation of eligible products and projects. In evaluating project pricing, the Partner takes into account regional factors that may contribute to the pricing of improvements.
- 12.2. It is the policy of the Program that each Partner will, at a minimum, establish ~~an MFA~~ generally accepted market pricing ranges for each product type (e.g. for central air conditioners, solar PV systems, solar thermal systems and artificial turf).
- 12.3. ~~Within each MFA, there is a low to high range of justifiable pricing, depending on the particular product within a product type (e.g. there may be different types of central air conditioners, solar PV systems, solar thermal systems and artificial turf). It is the policy of the Program that each Partner will establish product/project attribute related pricing rules, consistent with and in consideration of the key product pricing attributes provide in Attachment D hereto, that dictate what pricing within such low to high MFA range is justified.~~ There is a low to high range of justifiable pricing, depending on the particular product within a product type (e.g. there may be different types of central air conditioners, solar PV systems, solar thermal systems and artificial turf). It is the policy of the Program that each Partner will establish product/project attribute related pricing rules, consistent with and in consideration of the key product pricing attributes provide in Attachment D hereto, that dictate what pricing within such low to high MFA range is justified.
- 12.4. It is the policy of the Program that each Partner establish processes and systems for purposes of enforcing the ~~MFA rules~~ generally accepted market pricing ranges (as described in Section 12.3) for every project.
- 12.5. A product may only be funded for an amount that is ~~greater than the MFA for such product if the amount exceeding the MFA is~~ justified by reasonable standards that are validated and documented through processes and systems acceptable to the Authority.



13. REPORTING

Policy Summary: Reporting the economic and environmental results of Program participation is essential for the Program, Partners, elected officials, environmental agencies, the investment community, the real estate and mortgage industry and many other stakeholders. Metrics such as economic stimulus dollars invested, greenhouse gas reduction, the number of Measures funded, the amounts funded, renewable energy production and energy & water savings serve this need. The Partner is responsible for producing, on a quarterly basis, a key metrics report.

- 13.1. **Reporting Categories.** It is the policy of the Program that Program statistics reporting and estimated impact metrics in the following categories be developed and reported quarterly to the Authority: (i) number of projects funded, (ii) project amount funded, (iii) estimated amount of energy savings, (iv) estimated amount of renewable energy produced, (v) estimated amount of water savings, (vi) estimated amount of greenhouse gas emissions reductions, (vii) seismic safety improvements installed and (viii) estimated economic stimulus and number of jobs created.
- 13.2. **Reporting Standards.** It is the policy of the Program that all data collected for the quarterly metrics reports be developed and collected using standardized, third party verified methodologies satisfactory to the Authority. The methodologies and supporting assumptions and/or sources must be made available to the Authority by the Partner. It is the responsibility of the Partner to develop reports consistent with each of the categories listed above and to test and verify the data collection and reporting methods and models used. All reports shall include only aggregate data, excluding any sensitive customer information.



14. CLOSING & FUNDING

Policy Summary: The Program provides limited purpose financing to homeowners, and not general purpose financing that is common among traditional sources of financing. The Program has front-end (e.g., eligible product call-in requirements) and pre-funding (e.g., completion certificates and permits) procedures designed to confirm that their financing dollars are used for permissible purposes. A policy requiring such procedures is essential to protect the integrity of the Program.

- 14.1. Installation Completion Sign-off. It is the policy of the Program to confirm, before funding, that the eligible products financed are installed, operational and in a condition that is acceptable to the homeowner and the contractor, and to require that the homeowner and the contractor attest to such by signing a document stating that all products have been installed to the homeowner's satisfaction and in accordance with product specifications. It is the responsibility of the Partner to confirm any such document is signed within the maximum allowable installation time as specified by the Program
- 14.2. Permits. It is the policy of the Program for homeowners seeking Program financing to obtain required permits for the installation of Measures and provide verification thereof upon request. Each permit must be signed off by the issuing authority as evidence of project completion.
- 14.3. Funding. It is the policy of the Program to disburse funds only for projects that are complete.
- 14.4. Recording. It is the policy of the Program to record the Notice of Assessment and Payment of Special Tax/Contractual Assessment Required documentation in a manner consistent with state law.
- 14.5. Asset verification. It is the policy of the Program to confirm that product(s) listed on the Completion Certificate and for which Program financing has been provided have been installed including proof of completion by City Inspector or other third-party inspector and that the Partner develop and implement a randomized onsite inspection protocol acceptable to the Authority.





~~Golden State Finance Authority (GSFA) /~~

~~Ygrene Works~~

PACE Consumer Protection Policies

~~Version 1.0 (PACENation date May 10, 2016)~~

~~(Residential PACE Programs) Property Assessed Clean Energy Program~~

~~Updated: March 21, 2016~~

1. OVERVIEW OVERVIEW

Property Assessed Clean Energy ("PACE") programs enable a much broader range of homeowners to implement energy efficiency, renewable energy, weather resiliency, water efficiency and seismic safety improvements that increase the value, functionality, and sustainability of their homes. Such improvements ("Improvements" or "Measures") make homes less costly to operate and more comfortable to live in, while simultaneously reducing energy and water consumption. Without PACE Programs many homeowners would have no, or only costlier, access to these Measures.

PACE Programs ("PACE Programs"), including the government authorities sponsoring and administering them and, where applicable, the entities who help implement them ("Partners"), provide advice, tools and resources that enable homeowners to make smart, informed and responsible choices regarding such Measures. PACE Programs must be responsible for ensuring that the advice, tools and resources are appropriate and accurate, which means that care must be taken with homeowners before, during and after the origination of Program financing. Consumer protections that serve homeowners must be a core value of PACE Programs and Partners. In this document, "Partner" refers to the government authority in all cases where a Program does not include a third party non-government partner.

PACENation recommends that PACE Programs implement consumer protection policies that meet or exceed the standards set forth herein, addressing the following areas: (1) Eligibility and Risk, (2) Disclosures and Documentation, (3) Financing Terms, (4) Operations, (5) Post-Funding Support, (6) Data Security, (7) Privacy, (8) Marketing and Communications, (9) Protected Classes, (10) Registered Contractors, (11) Eligible Products, (12) Pricing, (13) Reporting, and (14) Closing & Funding.

PACE Programs that meet or exceed these standards provide homeowners with a greater level of consumer protection than any other form of PACE financing. The recommended consumer protection policies set forth herein can help guide PACE Program implementation to ensure homeowners realize maximum benefit.

Golden State Finance Authority (GSFA) Statement on Public Benefits of PACE Programs:

Thirty-two states and the District of Columbia have enacted legislation enabling ~~Property Assessed Clean Energy (PACE)~~ Property Assessed Clean Energy (PACE) programs. PACE programs provide an essential public benefit and contribute to the general public welfare by reducing carbon emissions, improving the quality of the environment, and improving energy and ~~water~~ weather resiliency of the U.S. building stock. ~~Various state and federal legislation presents the following arguments in support of the public benefit derived from PACE programs:~~

- ~~1. That global warming poses a serious threat to the economy, public health, natural resources and the environment;~~

- ~~2. That in 2009 the Environmental Protection Agency (“EPA”) declared that the rising levels of carbon dioxide emissions contribute hazard to human health and are consequently considered pollutants for regulatory purposes;~~
- ~~3. That such conditions as climate change and habitat degradation necessitate urgent efforts to maximize energy and water resources;~~
- ~~4. That the public purpose will be served by encouraging and installing energy- and water-saving, and renewable energy-generating improvements on private property;~~
- ~~5. That Federal tax credit legislation for solar energy systems, geothermal heat pumps, wind turbines and fuel cells recognizes the public benefit and provides incentives for installation on private property of these renewable energy generation systems;~~
- ~~6. That California PACE legislation qualifies as an “urgency statute” necessary for the immediate preservation of the public peace, health or safety within the meaning of Article IV of the Constitution;~~
- ~~7.1. That action taken to curb energy and water consumption and to reduce carbon emissions will have far-reaching effects in each participating state and, potentially, in the world.~~

PACE programs provide demonstrated public benefit while enabling an unprecedented range of homeowners to access energy efficiency, renewable energy and water efficiency measures that improve the financial, functional and environmental aspects of home ownership. Such improvements make homes less costly to operate and more comfortable to live in, while reducing energy and water consumption. Without PACE programs many homeowners would have no, or more costly, access to such benefits.

1. ELIGIBILITY AND RISK

Policy Summary:

The GSEFA and Ygrene Energy Fund's "Ygrene Works" PACE Program (the "Program") blends traditional credit risk considerations together with statutory requirements and administrative policy objectives to develop specific risk and eligibility criteria for participation in the Program. These criteria take into account the unique risk profile that PACE

PACE programs ("PACE Programs" or the "Program"), including the government authority sponsoring and administering them ("Authority") and, where applicable, the entity or entities who help implement them ("Partner" or "Program Administrator"), deliver tools and resources that enable homeowners to make smart, informed and responsible choices regarding energy efficiency, renewable energy generation, water conservation, weather resiliency and seismic upgrade measures ("Measures"). Appropriate use of such tools is the responsibility of all Programs, which means that care needs to be taken with homeowners before, during and after origination of Program financing. In other words, upholding consumer protections that serve homeowners must be a core value of the Program, the Authority and the Partner. In this document, "Partner" refers to the government authority in all cases where the Program does not include a third party partner.

This document is intended to address best practices and guidelines for Golden State Finance Authority (GSEFA) and Ygrene Energy Fund's "Ygrene Works" residential PACE program for single-family homes and multi-family (<4) units, and is intended to be a living document that evolves with best practices, consistent with enabling legislation enacted in a plurality of states. This document incorporates policies first developed and implemented by Ygrene Energy Fund in 2011, and has been updated from time to time. The baseline consumer protection policies of the Program cover the following areas: (i) Risk, (ii) Disclosures and Documentation, (iii) Financing Terms, (iv) Operations, (v) Post Funding Support, (vi) Data Security, (vii) Privacy, (viii) Marketing and Communications, (ix) Protected Classes, (x) Contractors, (xi) Eligible Products, (xii) Pricing, (xiii) Reporting, and (xiv) Closing & Funding. These Policies provide homeowners with a greater level of consumer protection than any other form of financing. They also guide the Program's implementation, enabling the transformation of its potential into tangible benefits for homeowners.

1. RISK

~~**Policy Summary:** The Program blends statutory requirements and legislative policy with traditional credit risk considerations to develop risk criteria that are fitted to the Program. These criteria take into account the unique risk profile that this form of financing presents to enable qualifying homeowners to access it. While this process will exclude unqualified homeowners and properties, special consideration has been given to develop developing inclusive standards. TheThese criteria examine four key attributes of every financed project: (1i) the real property ("Property") on which the improvements will be installed, (2 ("Property" or "Properties"), (ii) the encumbrances presently recorded against the Property, (3iii) the nature of the improvements to be installed; and (4iv) the homeowner's mortgage and property tax payment history.~~

1.1. Properties. Consistent with foundational considerations, it is the policy of the Program to make the Program available to the entirety of the existing residential housing stock within the jurisdictional ~~municipal~~ boundaries of the Program. Properties for which the Consumer Protection Policies (CPP) does not apply include: (i) commercial properties (including residential properties comprising five (5) or more units),

1.1. (ii) new commercial properties under construction and (iii) properties that cannot be subject to an assessment or levy. If requested in good faith by ~~at the~~ homeowner whose Property has been found ineligible, ~~applying for the Program or, the rejecting Partner may undertake a "second look" must complete an~~ eligibility review of the applicant's Property ~~all applications related to properties initially determined to be excluded,~~ re-examining the specific attributes of the Property in question and confirming or modifying the original determination.

1.2. Encumbrances. The encumbrance profile of Properties is an important element in determining whether or not they qualify of the decision process for Program participation. The Program is designed to harness unused financing capacity of homes in which eligible improvements are installed. Such financing is inappropriate if it burdens Properties and their owners too greatly. Accordingly, Properties eligible for Program financing will have the following attributes:

- 1.2.1. All mortgage-related Mortgage debt on the Property may not exceed 90% of the Property's fair market value ("FMV"), or assessed value if market value data is unavailable or unreliable, at the time of initial approval;
- 1.2.2. Reliability of the Program FMV model should be derived from residential industry generally accepted and reputable third-party ~~property~~ valuation services;
- 1.2.3. The Financing may not exceed (A) (i) fifteen percent (15%) of the FMV of the Property, up to the first seven hundred thousand dollars (\$700,000) of the Property's FMV, and (ii) ten percent (10%) of the remaining value of the Property above seven hundred thousand dollars (\$700,000) minus (B) any existing PACE assessments on the Property.;
- 1.2.4. The Total mortgage-related debt on the underlying Property plus Program financing may

not exceed the FMV of the Property; and

- 1.2.5. The total amount of any annual property taxes and assessments shall not exceed the statutory cap as established by the relevant PACE law ~~five percent (5%) of the Property's FMV.~~

1.3. Eligible Improvements. The Program provides financing for a broad range of eligible products and projects permanently -affixed to the Property, the details of which are set forth in Section 1142 below. The Program is not available to finance ineligible products and projects, which comprise anything not specified in Section 11, subject to an appeal and review of specific measures on a case by case basis by the Partner and/ ~~that are disallowed or Program excluded by individual state laws.~~ While the Program is responsible for confirming compliance with the Section 1142 requirements, it is not responsible for determining post-installation energy performance, savings or efficacy of such products or projects. The Program relies primarily on applicable state law and data and ratings from the PACE laws, as well as U.S. Department of Energy, the Environmental Protection Agency, EPA and other federal and state government agencies and applicable PACE laws in determining what constitutes an eligible improvement or Measure.

1.4. Homeowners. PACE Program ~~taxes or~~ assessments typically appear as line items on property tax bills and homeowners repay their financing when they pay their property tax bills. ~~Thus the mortgage and property tax payment history of a homeowner~~ homeowners of record is, thus, an important factor in determining a homeowner's Program eligibility to participate in the Program. Accordingly, at the time of application, homeowners eligible for Program financing will at a minimum have status and payment histories that are ~~generally~~ consistent with the following:

1.4.1. The applicant is ~~Applicants are the homeowner~~ owners of record;

1.1.1. Property tax payments for the assessed Property are current. Additionally, the homeowner must certify that there ~~has been~~ is no more than one late payment for the shorter of (i) the previous three years, or (ii) since the present homeowner acquired the Property;

1.1.2. The homeowner is current on all mortgage debt, and has not had a Notice of Default (NOD) recorded on the property for the last 3 years;

1.1.3. The homeowner is not currently in bankruptcy; and

1.1.4. The homeowner has no involuntary lien(s) recorded against the Property in excess of \$1,000.

1.4.2. There may be no pending Notice of Default on the property and no more than one recorded Notice of Default for the shorter of (i) the previous three years, or (ii) since the present homeowner acquired the Property.;

- ~~1.4.3. **DISCLOSURES** Homeowner(s) are current on all mortgage debt and have not had a Notice of Default (NOD) recorded on the property for the last 3 years. Additionally, the homeowner must certify that there has been no more than one "30-day late" payment during the 12-month period preceding funding;~~
- ~~1.4.4. Homeowner(s) cannot currently be in bankruptcy and must meet additional bankruptcy provisions as specified by the relevant state PACE law; and~~
- ~~1.4.5. Any involuntary lien(s) recorded against the Property in excess of \$1,000 must be added to the mortgage debt for the purposes of calculating the debt on the Property.~~
- ~~1.5. **Exceptions** From time to time, the Administrator or Partner will approve exceptions to these criteria, provided that the homeowner presents compelling justification and documentation of the unique compensating factors related to their application for financing, and provided that such exception is approved by the participating financial partner(s) and conforms to state law.~~

2. **DISCLOSURES & DOCUMENTATION**

Policy Summary: The enforceability of the Program is derived from the documentation established and approved by ~~GSFA~~ the Authority consistent with enabling state legislation. Further, in states where judicial validation proceedings are available, it is considered best practice to complete judicial validation of the Program prior to commencement. The GSFA Ygrene Works program judicial validation was completed on July 22, 2015. Documentation for Program participants should ensure compliance with these consumer protection policies and must be clear, complete, and fair to all parties. Program documentation embodies principles key to the Program such as clarity, fairness, compliance, disclosure, knowledge and completeness. A reader who has spent time with the documentation should develop an unambiguous understanding of each and every right, risk and obligation associated with the Program's financing product. PACE is a new form of ~~tax~~ financing that, while sharing some features of traditional ~~debt~~ financing, presents new considerations for homeowners. Best practices counsel the Program to disclose traditional "know before you owe" financing terms ("Disclosures" e.g., interest rates, financing term, payment amounts). Disclosures covering the Program financing's ~~specific~~ unique repayment cycle (typically, annual or semiannual) and the Federal Housing Finance Authority's ~~Authority~~ announcement regarding payoff of Program financing at the time of sale or refinance are among the new considerations. ~~Best practices counsel the Program to disclose traditional financing terms (e.g., interest rates, financing term, payment amounts) as well.~~ In the end, a homeowner who understands ~~the~~ a Program's disclosures will be informed and have a clear understanding of the Program's traditional and non-traditional features.

2.1. Document Timing. Before commencement of any Program-financed project, a homeowner

must: (i) submit an application; (ii) receive approval of the Measures from the Partner; and (iii) execute documentation covering the terms ~~and describe in this Section and in the Disclosures~~ summarized in this Section. Following installation of the Measures, a homeowner must: (i) execute an acknowledgement that the installation of the Measures has been completed satisfactorily; and (ii) ~~receive and~~ approve a final summary of costs and payments. Delivery to, and execution of all such documentation by, the homeowner is the responsibility of the Partner.

2.2. ~~Purchase Terms.~~ Terms that are fundamental to the Program and that need to be reflected in its ~~Disclosures documents~~ comprise: (i) the amount financed including the cost of the installed Measure(s), together with Program ,fees and capitalized interest, if any, included; (ii) the repayment process and schedule;; (iii) the payment amounts;; (iv) ~~thea~~ term of the financing (that does not exceed the average useful life of the Measures), majority of the improvements; (v) the rate of interest charged (such rate to be fixed and not variable); (vi) a payment schedule that fully amortizes the amount financed, (vii) the nature of the lien or obligation created upon recordation;; (viii) the specific improvements to be installed;; (ix) the 3-day right to cancel the financing;; ~~and~~ (x) the right to withhold approval of payment until the project is complete, and (xii) any other relevant state specific rights, notices, or requirements (e.g. in California, Section 5899.2 rights for solar lease improvements). It is the responsibility of the Partner to prepare, deliver and arrange for execution of documents reflecting such terms.

2.3. ~~Homeowner Disclosures Policies~~ Disclosures Policy. ~~Disclosures ensure that homeowners are aware of and understand~~ heighten homeowners' awareness of key program financing terms and risks that appear in the Program's Program terms and documentation. It is the policy of the Program that Partners confirm delivery to, and receipt by, homeowners of these disclosures, and obtain written acknowledgement that homeowners have read and understand them.

The following comprise ~~the key financing~~ disclosures of the Program provided by Partners in a financing summary in the form substantially similar as attached hereto as Attachment A.

Disclosures	Description
Term of financing	The maximum time period of the financing
Amount financed	The total amount financed, including fees and capitalized interest
Annual payment amount	The amount due each year, even if paid in semi-annual installments or through impound payments

Disclosures	Description
Improvements financed	The Measures installed
FHFA risks	The risk that the homeowner may need to pay off the PACE special tax or assessment at the time of sale or refinance
Right to cancel	The 3-day right to rescind the financing
Prepayment	The right to prepay the Program financing, with or without penalty, depending on terms selected by the homeowner

The following comprise additional ~~key program-specific~~ disclosures of the Program provided by Partners.

Additional Disclosures	Description
Program overview	A document or section of a document that provides a comprehensive summary of the Program, including a summary of a homeowner's rights and obligations
Property tax repayment process	Payment of a homeowner's property tax bill that will include a line item related to the installed Measures
Tax benefits	Benefits associated with the purchase of certain Measures and the annual payments related to them
Privacy	A notice describing the privacy policies of the Program
Federal disclosures	Those appearing in the Program application
Foreclosure	The foreclosure process in the event of a homeowner default

2.4 Confirmation of Terms . For all Program financing applications associated with contractors that are either new to the Program or are on a Partner's ~~"some form of watch list"~~ (i.e. those

~~contractors that are not "Top Rated Contractors" defined below~~); it is the policy of the Program that such ~~Partner~~ Partners confirm live by telephone with the homeowner applicant each Program financing term listed in (b)-(h) ~~2-7~~ of this Section 2.4 below. ~~These confirmation requirements do~~ This requirement does not apply to contractors who have reached the Partner's top rating category (the "Top Rated Contractors"). For ~~Top Rated~~ these contractors, it is the policy of the Program that ~~the Partner~~ they conduct randomized calls to homeowners to confirm financing terms.

Notwithstanding the above, irrespective of the contractor with whom the Program financing is associated, it is the policy of the Program that ~~the~~ Partners confirm live by telephone ~~for~~ with each applicant who is over 64 years old ~~the Program financing terms listed in (-or-is-a)-(h) of this Section 2.4 below, and any other member of another special categories category of homeowners as~~

designated by the Program. ~~For avoidance of doubt, financing terms listed in 1-7 of this Section 2.4 below.~~ For homeowners over 64 years old, a voicemail message does not satisfy the requirement of Program financing term confirmation under this Section 2.4.

When confirming terms of a Program financing with a homeowner, ~~the Partners will request the homeowner to describe generally the improvement(s) being financed using the Program financing, and will ascertain that the homeowner understands~~ Partners will:

2.4.1 ~~The Ask the homeowner to give a general description of the improvement(s) being financed under the Program. Ascertain that the homeowner understands the reason for the specific improvement(s) being obtained by such homeowner made;~~

2.4.2 ~~Ascertain that the homeowner understands his or her total estimated annual payment;~~

~~The 2.4.3 Ascertain that the homeowner understands the date his or her first tax payment will be due;~~

~~The 2.4.4 Ascertain that the homeowner understands the term of the Program financing;~~

2.4.5 ~~Ascertain that the homeowner understands any additional fees (including recording fees) that will be charged to him or her;~~

2.4.6 ~~Ascertain that the homeowner understands that payments for the Program financing will be added to his or her property tax bill and will cause the property tax bill to increase;~~

2.4.7 ~~Ascertain that the homeowner understands that he or she may make payments on the Program financing either directly to the county assessor's office or through his or her mortgage impound account.~~

(a) ~~That before any assessment contract or application (the "Pending Project") is executed, the Partner has asked and the homeowner has confirmed that no Measures other than the Pending Project are underway, and has agreed, at any time before funding of the Pending Project, to inform Partner if homeowner has authorized any new Measures.~~

2.5 Lender Disclosure Policy ~~.~~ For all Program financing contracts, a notification must be sent to all lenders of record outlining the key terms of the project to be undertaken on the Property. This notification shall be transmitted by the Partner on behalf of, and with the consent of, the Property Owner.

2. FUNDING

~~3 FUNDING~~

Policy Summary: PACE is a new form of ~~tax~~ financing that, while sharing some features of traditional ~~debt~~ financing, presents new considerations for financing capital sources and structures. Best practices

counsel the Program to proactively solicit feedback from Program stakeholders and homeowners and incorporate things learned/lessons into policy improvements which benefit homeowners.

3.1 Interest Rates. It is the policy of the Program that Partners offer fixed simple interest rates and paymentsoffers payment arrangements that, whether they are level or vary over the term of financing, fully amortize the obligation. Variable interest rates or negative amortization financing terms are not permitted. over the term of the financing.

3.2 Sustainable Funding Source. It is the policy of the Program that Partners establish a sustainable source of capital for funding PACE-~~financed~~ projects separate from the Authority's general fund or budget and have access to capital markets to ensure funding ~~foref~~ qualified projects is available on a consistent basis. ~~A~~Each Partner must demonstrate the capacity to fund assessments that the Program and Partner anticipateAdministrator anticipates originating through such Partner over ~~at~~ the six (6) month period immediately following the Program'sAdministrator's review of such Partner's financial statements, committed capital sources.

3.3 Subordination. For Programs in states with senior lien PACE statutes, a ~~The Program and/or its Partners~~is not required to but may offer the capability to accommodate owners of PACE assessed homes and prospective buyers of such homes~~homebuyers and homeowners~~ by offering to subordinate ~~subordination of certain of its/their rights derived from the of its~~ PACE assessment lien to the lien ~~ofunder~~ a mortgage or deed of trust. The subordination may provide the lien under a mortgage or deed of trust with senior rights such that the lender will be induced to ~~providemake~~ a mortgage loan on a PACE-assessed property. The subordination option may be made available to homebuyers and homeowners in accordance with policy agreed upon by the PACE ProgramAuthority and the Partner.

3.4 Contractor Fees. It is the policy of the Program that Partners can only charge fees to contractors offering Program financing as long asonly if those Partners (i) clearly and conspicuously disclose such fees to homeowners and (ii) require that contactors absorb such obligations and not pass such fees on to homeowners.-

43 OPERATIONS

Policy Summary: ~~Partner~~ Operations refers to the staff, procedures, and systems that Partners use to ~~deliveredelivers~~ the Program to homeowners and provide them with ongoing support. For Partners, operational competence rests. Operations commercializes, productizes and draws on the ability to

~~perform well work completed in a broad range of areas and disciplines by the Program or its Partner,~~
~~such as sales, training, risk, contractor engagement, municipal engagement, accounting, finance,~~
~~legal, capital markets, risk assessment, legal, compliance, government affairs, municipal engagement,~~
~~training, marketing and sales, contractor engagement, business development, marketing, government~~
~~affairs and corporate development.~~ While each operating unit incorporates thoughtful and highly effective consumer protections in the work it produces, Operations is the gatekeeper responsible for assuring that the Program has the people, processes, tools and technology necessary to deliver to homeowners the Program financing product, as well as the consumer protections described in these Policies.

Operational Consumer Protection Policies. ~~It is the policy of the Program and that the Administrator or its Partners will Partner develop and provide people and develop,~~ processes, tools and technology necessary to support the consumer protection measures described in detail elsewhere in this ~~policy manual,~~ including: (i) risk and underwriting processes; (ii) terms and documentation delivery systems; (iii) documentation, maintenance and retrieval processes; (iv) disclosure development, delivery and acknowledgment receipt; (v) post-funding support for homeowners and other stakeholders such as real estate professionals; (vi) data security measures; (vii) privacy policy development and protections; (viii) marketing and communication oversight; (ix) protected class data and communication processes; (x) contractor management and engagement; (xi) eligible product database and/or list development and maintenance; (xii) implementation of the maximum financing amounts; (xiii) key metrics reporting; (xiv) closing and funding processes (including the ability to fulfill financing obligations); (xv) examination data production; and (xvi) implementation of procedures to identify and prohibit conflicts of interest within and associated with the Program.

POST-FUNDING HOMEOWNER

54 POST-FUNDING HOMEOWNER SUPPORT

Policy Summary. *A public/private partnership is at the core of the Program. This partnership carries with it elevated consumer protection responsibilities that apply to the Program with as much significance during the post-funding period as they do during the time of application and origination. Establishing and operating an executive office responsible for customer care that responds to inquiries, complaints, contractor and workmanship concerns, product performance questions and related matters for the lifecycle of the improvements financed is fundamental to the consumer protections that the Program provides.*

5.1 Proactive Engagement. It is the policy of the Program THAT THE PROGRAM AND ITS

PARTNERS to proactively monitor and test the consumer protections DELIVERED ~~Partners deliver~~ to homeowners, and TO periodically request feedback from homeowners and contractors to identify areas in need of improvement.

5.2 Onboarding. It is the policy of the Program that Partners develop and implement a post-installation onboarding procedure FOR HOMEOWNERS to reinforce key characteristics of the Program, such as those highlighted in the Program disclosures.

5.3 Payments. It is the policy of the Program that EACH PARTNER ~~Partners~~ have disclosures and resources in place to resolve ANY homeowner questions regarding ~~matters such as impound account catch-up payments, payment timing inquiries and payment amount reconciliation.~~ It is ~~also the policy of the Program~~ REQUIRES that EACH PARTNER ~~Partners~~ implement procedures for responding ~~in a timely and complete manner~~ to requests for ~~partial or full~~ prepayment of their PACE property tax assessment IN A TIMELY AND COMPLETE MANNER, MATTERS REGARDING IMPOUND ACCOUNT CATCH UP PAYMENTS, PAYMENT TIMING INQUIRIES AND PAYMENT AMOUNT RECONCILIATION AMONG OTHERS.

5.4 Inquiries and Complaints. It is the policy of the Program that ITS Partners receive, manage, track, timely resolve, and report ON all inquiries and complaints from homeowners. This policy contemplates PARTNERS HAVE AN ABILITY ~~development of a team with the skills necessary~~ to perform inspections, meet with homeowners and contractors, investigate matters, and mediate RESOLUTIONS WITH ~~disagreements between~~ homeowners and contractors. PARTNERS ~~The Partner~~ must proactively work to resolve inquiries and complaints in a reasonable and timely manner and in accordance with the Program guidelines and must make communication for homeowners available during regular business hours by phone, email and facsimile communication.

5.5 Real Estate Transactions. It is the PROGRAM'S ~~policy of the Program~~ that Partners develop capabilities to assist homeowners, ~~and their associated real estate professionals,~~ who are refinancing or selling their Properties. THE PARTNER MUST SUPPORT REAL ESTATE PROFESSIONALS PROVIDING SERVICES TO REFINANCE AND SALES TRANSACTIONS FOR PROPERTIES WITH PACE ASSESSMENTS.

DATA

6 ~~DATA~~ SECURITY

Policy Summary: Trust is fundamental to any financing relationship, and Program financing is no exception. The public/private partnership at the center of the Program, as well as the confidential relationship homeowners have with ~~the~~ Program Partner, mandate that any market-ready Program be in robust compliance with sturdy cyber-security standards, and in particular develop secure and tested processes that protect ~~homeowner~~ homeowners' personal identifiable information at points of potential vulnerability, especially during the application process.

6.1 Information systems. It is the policy of the Program that ~~EACH PARTNER~~ Partners develop and comply with secure and tested processes to protect the personal identifiable information of the homeowner described in Section 7 below. SECURITY POLICIES AND PRACTICES UTILIZED ARE TO, AT A MINIMUM; COMPLY WITH ALL APPLICABLE GOVERNMENT LAWS AND REGULATIONS FOR THE PROTECTION OF PERSONAL DATA AND INFORMATION AS WELL AS REMAIN CURRENT WITH APPLICABLE INDUSTRY STANDARDS. SECURITY MEASURES AND PRACTICES ARE SUBJECT TO AUDIT AS DIRECTED BY THE AUTHORITY ~~Such secure and tested processes should, at a minimum, comply with existing state and federal data security laws and good faith protocols.~~

~~6.2 Personnel.~~ EACH PARTNER IS

2.1. Partners are responsible for :

~~6.2.16.1.1~~ informing and enforcing ~~the~~ compliance with the Program's data privacy and security policies on the part of every employee, contractor, vendor, agent, service provider, representative, and associate who is exposed to personal identifiable information of homeowners.

~~6.2.26.1.2~~ IMPLEMENTING ~~Partners are responsible for implementing~~ protections and controls to prevent unauthorized copying, disclosure, or other misuse of sensitive consumer information.

7 PRIVACY

Policy Summary: The trusting and confidential relationship that exists between homeowners and the Program extends to the Partners' use of homeowner data. Compliance with the Gramm-Graham Leach -Bliley Act as well as the establishment of clear opt-in and opt-out protocols for information sharing are the pillars of the Program's privacy policy. More broadly, the Program

must protect and manage sensitive consumer information, ~~and must~~ respect the privacy of all homeowners, ~~and must~~ implement robust controls to prevent unauthorized collection, use and disclosure of such information. These protections are subject to the limitation that property owner names, property address, special tax or assessment amount, payment amount and other terms of the PACE financing are ~~all~~ public information consistent with property tax law. ~~The following summarizes the Program's privacy policy:~~

7.1 Privacy policy. The Program obtains sensitive PERSONAL IDENTIFIABLE INFORMATION (E.G., FULL NAME, HOME ADDRESS, SOCIAL SECURITY NUMBER, DATE OF BIRTH) ~~consumer information~~ from homeowners as part of the PROGRAM application process ~~for Program participation~~ or through other homeowner touch points with the Program. It is the PROGRAM'S policy of the Program that EACH PARTNER ~~Partners~~ develop and deliver to homeowners PRIOR TO RECEIPT OF SUCH ~~who apply for the Program or who otherwise provide~~ personal identifiable information, a privacy policy that complies with state and federal law (e.g., the GRAMM-Graham-Leach-Bliley Act). THE PRIVACY POLICY MUST EXPRESSLY PROHIBIT ~~and, in particular, prohibits~~ sharing PERSONAL IDENTIFIABLE INFORMATION with third parties ~~personal identifying information of homeowners~~ without the homeowners' express authorization, except where expressly permitted by state and federal law. Such privacy policy will cover (i) the sources from which sensitive consumer information is obtained, (ii) the Partner's use of sensitive consumer information, and (iii) a mechanism by which a consumer may opt-out of sharing information. THE PARTNER ~~Partners~~ will deliver to homeowners any updates to such privacy policies.

7.2 Application process. It is the policy of the Program that all personal identifying information provided by a homeowner to a Partner during the application process is provided directly by the homeowner to the Partner. THE Partners will establish processes and controls to ensure that personal identifiable information of a homeowner is obtained directly from such homeowner (or his verifiable legal representative or attorney in fact) and not from a contractor or other third party.

MARKETING

8 ~~MARKETING~~ & COMMUNICATIONS

Policy Summary: Clear, informative, truthful, balanced, transparent and complete communications are essential for the Program. The stakeholders of any Program include

~~(without limitation)~~ homeowners, contractors, the ~~governing authorities~~ Authority, government officials and staff, investors, finance partners, real estate professionals, ~~mortgage and~~ lenders, ~~and its Partner(s) among others.~~ Communications ~~or~~ acts and practices that mislead stakeholders, add ineligible expense to PACE financing or to the Program, abuse stakeholders, ~~or and~~ otherwise fail to meet the core communication standards of appropriateness for the Program ~~and~~ are not acceptable.

8.1 Prohibited Practices. ~~It is the policy of the Program~~ PROHIBITS ~~to prohibit~~ practices that are or could appear to be unfair, deceptive, abusive, ~~and/or~~ misleading, ~~that~~ violate FEDERAL OR STATE laws or regulations, that provide tax advice, OR that are IN ANY WAY inappropriate, incomplete or ~~are~~ inconsistent with the Program's purpose. Marketing practices that ARE LIKELY TO ADD UNNECESSARY EXPENSE TO A HOMEOWNER, THAT unlawfully use sensitive consumer data, or that violate any other law or regulation ARE PROHIBITED. PARTNERS AND REGISTERED CONTRACTORS THAT MAKE MARKETING OR SALES TELEPHONE CALLS MUST NOT VIOLATE FEDERAL OR STATE "DO-NOT-CALL" LAWS. EACH PARTNER IS RESPONSIBLE (including, for DEVELOPING AND ENFORCING MARKETING ~~example, practices THAT MEET THE APPROVAL OF THE PROGRAM. related to telemarketing)~~ are prohibited.

8.2 Permitted Practices. It is the policy of the Program to adhere to all legal and regulatory requirements (e.g., ~~those governing~~ telemarketing) pertaining to its advertising and marketing efforts. On the basis of providing clear and concise communication to consumers, any practice that promotes informed DECISIONS ~~decision-making~~ on the part of homeowners and is not prohibited as described in section 8.1 above is permitted. THE PARTNER IS ~~Partners are~~ responsible for developing, delivering to and enforcing marketing guidelines for the Program's REGISTERED CONTRACTORS THAT MEET THE APPROVAL OF THE PROGRAM ADMINISTRATOR. ANY MARKETING MATERIALS THAT FALL OUTSIDE OF MARKETING GUIDELINES ESTABLISHED MUST BE APPROVED BY THE PARTNER TO ENSURE THAT THEY ARE NOT UNFAIR, DECEPTIVE, ABUSIVE AND/OR MISLEADING ~~Certified Contractors.~~

8.3 Tax Advice. It is the policy of the Program that no Partner, contractor or OTHER RELATED third party WHO IS NOT ~~other than~~ a tax expert may provide tax advice to HOMEOWNERS ~~consumers~~ regarding ~~their~~ Program financing, including ~~making~~ affirmative statements or claims as to the tax deductibility of ~~any portion of the PACE~~

payments. HOMEOWNERS ARE ENCOURAGED TO SEEK THE ADVICE OF AN EXPERT REGARDING TAX MATTERS RELATED TO THE PROGRAM. THEREFORE However, it is acceptable FOR MARKETING MATERIALS TO INCLUDE A STATEMENT SUCH AS: to state that "PACE financing may have certain tax benefits. Consult your tax advisor to find out what, if any, may apply to your individual circumstances". THE PROGRAM SHALL MONITOR AND TEST THE SALES PRACTICES OF EMPLOYEES AND CONTRACTORS TO CONFIRM ADHERENCE TO THE POLICY SET FORTH IN THIS SECTION 8.3. Homeowners are encouraged to seek the advice of an expert regarding tax matters related to the Program.

8.4 Payments in Exchange for Financing. It is the policy of the Program that no Partner may provide A direct cash payment, MONETARY INCENTIVES, GIFTS, OR OTHER THING OF MATERIAL VALUE TO A REGISTERED to a contractor or Affiliated Individual (AS THOSE PARTIES ARE DEFINED IN SECTION 10) explicitly in exchange for OR RELATED TO such contractor or Affiliated Individual's (I) SIGNING UP OR CONTINUING TO WORK WITH SUCH PARTNER OR (II) offering Program financing to a homeowner. FOR AVOIDANCE OF DOUBT, THE LIMITATIONS PROVIDED IN THIS SECTION 8.4 ARE NOT INTENDED TO PREVENT A PARTNER FROM EITHER (A) PAYING FOR CO-MARKETING MATERIALS THAT NAME THE PARTNER AND THE REGISTERED CONTRACTOR TO WHOM SUCH PAYMENT IS MADE AFTER THE PARTNER RECEIVES RECEIPT(S) FROM THE REGISTERED CONTRACTOR EVIDENCING THE AMOUNT SPENT ON SUCH CO- MARKETING OR (B) PROVIDING A REGISTERED CONTRACTOR OR AFFILIATED INDIVIDUAL WITH OTHER NON-CASH THINGS OF VALUE THAT BY THEIR NATURE DIRECTLY CONTRIBUTE TO THE VALUE OF THE PROGRAM.

PROTECTED — It is the policy of the Program that no Partner, contractor or Affiliated Individual may provide a direct cash payment or other thing of value to a homeowner explicitly in exchange for such homeowner's selecting Program financing. For avoidance of doubt, the limitations provided in this Section 8.4 are not intended to prevent the Program from offering to homeowners, contractors or Affiliated Individuals promotions that are not explicitly part of the exchange referred to in the preceding sentence.

9 PROTECTED CLASSES

Policy Summary: ~~Each Partner must~~ It is the Partner's responsibility to ensure compliance with all state and federal laws that cover individuals in protected classes, including those based on (e.g., race, religion, color, marital status, gender, sexual orientationsex, national origin, citizenship, presence of children, disability, age, veteran status, participation ingender, age and/or sexual preference, because an applicant receives income from a public assistance program, or because an applicant has in good faith exercised any right under the Consumer Credit Protection Act.) Heightened protections for homeowners over 64 years old, such as confirming understanding of financing terms and project specifications, is a specific requirement ~~focus~~ of the Program. ~~Unintentional~~ The Partner is responsible for protecting against intended and unintended non-compliance will not excuse a failure to comply with all state and federal laws regarding protected classesuch standards, and in particular for providing legally unbiased access to, and decisioning of, requests for Program financing.

9.1 General. ~~It is the policy of the Program~~ REQUIRES that PARTNERS DEVELOP controls AND METHODS ~~be designed~~ to monitor and test compliance with all state and federal laws covering homeowners in protected classes.

9.2 Elders. ~~EACH~~ It is the responsibility of the Partner MUST to develop and implement a PROTOCOL TO ENSURE ~~program~~ that ALL ~~validates elder homeowners' (i.e., homeowners over 64 years of age~~ UNDERSTAND THE PURPOSE OF EACH MEASURE) ~~understanding of the eligible improvement project for which they are seeking Program financing IS SOUGHT, AND, including the terms of such financing AS DESCRIBED IN SECTION 2.4.~~

9.3 Financing Application Access and Decisions. ~~Decisioning~~ It is the responsibility of the Partner to provide legally unbiased access to, and decisions regardingdecisioning of, requests for Program participation to all applicants for Program financing.

REGISTERED CONTRACTOR

10 CONTRACTOR REQUIREMENTS

Policy Summary: Contractors and their sales persons are one of the primary means ~~by through~~ which homeowners become aware of Program participation options. Contractors and their sales persons enter into contracts with ~~a Partner~~ Partners, and register with all relevant state and local licensing boards and agencies. Contractors are required to complete training courses, follow a code of conduct, maintain ~~policies of insurance~~, post bonds, follow marketing requirements, ~~complete training courses, among other similar~~ obligations, all of which are designed to assure positive and productive homeowner interaction with the Program.

10.1 Policies. It is the policy of the Program that all contractors who sell, install, or manage subcontractors who install, eligible Measuresimprovements will have become "Registered

Contractors” with the Program. Registered Contractor~~s~~ executed and that all of their~~such~~ ~~contractors and all~~ employees, entities, owners, partners, principals, and sub- contractors independent contractors, ~~third party agents or other person who perform any services for the~~ contractor in connection with a Program financing (collectively, the “Affiliated Individuals”) must meet the requirements of the ~~Program~~Program’s Contractor Participation Agreement, which include:

~~10.1.1~~ 10.1.1 Compliance with any relevant state~~the Registered Contractor~~ code of conduct, ;
attached hereto as Attachment B;

~~10.1.2~~ 10.1.2 Maintenance of an active license, and ~~being~~be in good standing, with any relevant
state licensing board, as well as maintenance of the California Contractor State
License Board (“CSLB”), including compliance with the CSLB (or equivalent
agency or program) insurance and an ability to meet bonding requirements;

~~10.1.3~~ 10.1.3 Execution of the Program’s Contractor Participation Agreement only by a person
who is authorized to act on behalf of, and who is responsible for the actions of, a
Registered Contractor (a “Qualifying Individual”);

~~10.1.4~~10.1.3 Oversight and management of employees, independent contractors and
subcontractors who provide services to Registered Contractors accessing the
Program;

~~10.1.5~~10.1.4 Meeting all other state and local licensing, training and permitting
requirements;

~~10.1.6~~10.1.5 Compliance with the Program’s marketing policies; and

~~10.1.7~~10.1.6 Ensuring all Affiliated Individuals register with the Program, including
completing the Program’s identity verification procedures.

2.2. New Contractors. Regarding Registered Contractors new to the Program, it is the
policy that the Partner:

2.2.1. Has a specified probationary period (i.e., place the new Registered
Contractors on a watch list) until the new Registered Contractors have
completed the required number of Measures;

2.2.2. Has procedures in place, during the Registered Contractor probationary
period, to provide additional quality assurance steps for Measures
completed by the Registered Contractors on the watch list; and

2.2.3. Has procedures in place to review Registered Contractor work to
confirm satisfactory completion of projects conducted during the
probationary period for which Program financing is used.

10.2 Contractor Management. It is the policy of the Program that ~~the Partner~~Partners implement contractor management ~~systems~~processes and procedures that manage and track contractor training, homeowner complaints, and compliance violations on an individual and company basis.

10.3 Contractor Training. It is the policy of the Program that each Partner make available contractor training regarding, at a minimum, the following: (i) the applicable contractor code of conduct terms as required by the Program, (ii) protected classes, including, without limitation, elder protection, and (iii) other consumer protection measures as required by the Program.

10.4 Remedial Action. Partners may warn, suspend or terminate a Registered~~Certified~~ Contractor and/or Affiliated Individual from the Program based on violations of these policies or at the discretion of the Partner in the best interest of homeowners and the Program.~~the Contractor Participation Agreement.~~ The Program does not knowingly accept Program applications processed by suspended or terminated contractors and/or associated representatives.

2.—ELIGIBLE PRODUCTS

11 ELIGIBLE PRODUCTS

Policy Summary: The Program enables and encourages homeowners to install Measures ~~which on their homes that are permissible under state law~~the applicable PACE statutes, and designed but not guaranteed to save water or energy or water, generate renewable energy, or produce other public benefit (e.g. seismic retrofits). The Program is responsible for implementing practices and controls (e.g., eligible product databases and product confirmation processes) to ensure that financing is ~~used~~provided only for eligible Measures, and that it is not provided for ineligible ones. Program product eligibility criteria ensure that property owners are financing improvements ~~which that~~ are industry recognized for achieving higher levels of home energy or water efficiency, renewable energy generation, seismic retrofits, or other state specific approved Measures. While the Program is responsible for confirming compliance with the initial capacities of such products, it is not responsible for determining post-installation energy performance, savings or efficacy of such Measures.

11-110.5 Policies. Consistent with the objectives of the PACE-enabling legislation, it is the policy of the Program, through consultation with the Partner and the Authority to:

- 11.1.1. Establish and maintain an eligible products database and/or list, documenting the associated eligibility specifications for each product that conform to the requirements outlined in Attachment C hereto;
- 11.1.2. Define a process ~~processes~~ for adding to or modifying the eligible product database;
- 2.2.4. Ensure that eligible product energy efficiency/water efficiency/energy generation (as applicable) performance standards are calibrated and verified using performance criteria that the U.S. Department of Energy, U.S. Environmental Protection Agency, and/or other federal and state agencies or other reputable parties have established;
- 11.1.3. Use credible third-party sources to determine the useful life of each installed~~the~~ product, which will be used to set the maximum term for the Program's ~~the~~ financing from the Program; ~~;~~ —and
- 11.1.4. Require that each~~the~~ product is permanently affixed to the Property.

11.2. Procedures. It is the policy of the Program that the Partner~~Partners~~ establish procedures confirming that the homeowner applying for Program financing intends to install eligible products, and that at the time of funding such improvements have been installed.

11.3. Ineligible Products .

- 11.3.1. Financing of ineligible products under the Program is prohibited.
- 11.3.2. Products that are not included on the eligible products list or in the eligible products database can be submitted for review by the Program, if a homeowner has a good faith ~~a good faith~~ reason to believe they should have been included.

MAXIMUM FINANCING

1211 FINANCING AMOUNT

Policy Summary: *Many homeowners ~~often~~ cannot readily access price information regarding the installation of energy efficiency, renewable energy and water conservation improvements for their homes, and cost often is a key economic consideration. While the Program does not set price controls, it implements procedures ~~reviews each project on a case-by-case basis~~ to monitor*

~~conformance with~~ affirm that the pricing for each Measure conforms to generally accepted market pricing ranges.

The Program's ~~maximum financing amount~~ policies provide as follows:

~~12.111.1~~ It is the policy of the Program to ~~develop generally accepted market review~~ pricing ranges based on market data and ~~each the sponsoring~~ Partner's experience, but not to set pricing for installation of eligible products and projects. ~~In evaluating project pricing, the Partner takes~~ Partners are presumed to take into account regional factors and ~~special installation characteristics or scenarios~~ that may contribute to the pricing of improvements.

2.3. It is the policy of the Program that ~~each Partner~~ Partners will, at a minimum, establish generally accepted market pricing ranges for ~~each review various~~ product ~~typetypes~~ (e.g. for central air conditioners, solar PV systems, solar thermal systems and artificial turf).

~~12.211.2~~ There is a low to high) to ensure pricing falls in a generally acceptable range of justifiable pricing, depending on the particular product within a product type (e.g., ~~For example,~~ there may be different types of central air conditioners, solar PV systems, solar thermal systems and artificial turf). It is the policy of the Program that each Partner will establish product/project attribute related pricing rules, consistent with and in consideration of the key product pricing attributes provide in Attachment D hereto, that dictate what pricing within such low to high range is justified.-

~~12.311.3~~ It is the policy of the Program that each Partner ~~will~~ establish processes and systems for purposes of enforcing the generally accepted market pricing ranges (as described in Section 12.3) for every reviewing contractors' estimated project costs and determine that proposed project measures meet acceptable guidelines for energy efficiency, renewable energy, water conservation, or seismic or hurricane protection.

~~12.411.4~~ A product may only be funded for an amount that is justified by reasonable standards that are validated and documented through processes and systems acceptable to the Authority.

~~13.12~~ REPORTING

Policy Summary: Reporting the economic and environmental results of Program participation is essential for the Program, Partners, elected officials, environmental agencies, the investment community, the real estate and mortgage industry and many other stakeholders. Metrics such as economic stimulus dollars invested, greenhouse gas reduction, the number of Measures funded, the amounts funded, renewable energy production and energy & water savings serve this need. The Partner is responsible for producing, on a quarterly basis, a key metrics report.

~~13.112.1~~ Reporting Categories. It is the policy of the Program that Program statistics reporting and estimated impact metrics in the following categories be developed and reported quarterly to the Authority: (i) number of projects funded, (ii) project amount funded, (iii) estimated amount of energy savings, (iv) estimated amount of renewable energy PRODUCEDproduction, (v) estimated amount of water savings, (vi) estimated amount of greenhouse gas EMISSIONS reductions, ~~and~~ (vii) SEISMIC SAFETY IMPROVEMENTS INSTALLED AND (VIII) estimated economic stimulus AND NUMBER of JOBS CREATED.dollars invested.

~~13.212.2~~ Reporting Standards. It is the policy of the Program that all data collected for the quarterly metrics reports ~~BE~~are developed and collected using standardized, third party-verified methodologies SATISFACTORY TO THE AUTHORITY.~~Partners must make the methodologies and supporting assumptions and/or sources MUST BE MADE available to the Authority BY THE PARTNER.~~ It is the responsibility of ~~THE~~each Partner to develop reports consistent with each of the categories listed above, and to test and verify the data collection and reporting methods and models used. All reports shall include only aggregate data, EXCLUDING~~without the inclusion of~~ any sensitive customer information.

3. CLOSING & FUNDING

~~14 PROJECT COMPLETION & DISBURSEMENT OF FUNDS~~

Policy Summary: The Program provides limited purpose financing to homeowners, and not general purpose financing that is common among traditional sources of financing. The Program has front-end (e.g., eligible product call-in requirements) and pre-funding (e.g., completion certificates and permits) procedures designed to confirm that ~~their~~its financing dollars are used for permissible purposes. A policy requiring such procedures is essential to protect~~protecting~~ the integrity of the Program.

~~14.112.3~~ Installation Completion SIGN-OFF.Signoff It is the policy of the Program to

confirm, before ~~final~~ funding, that the eligible products financed are installed, operational and in a condition that is acceptable to the homeowner and the contractor, and to require that the homeowner and the contractor attest to such by signing a document stating that all products have been installed to the homeowner's satisfaction and in accordance with product specifications. It is the ~~Partner's~~ responsibility OF THE PARTNER to confirm any such document is signed within the maximum allowable installation time as specified by the Program.

~~14.212.4~~ **Permits.** It is the policy of the Program ~~FOR~~that homeowners seeking Program financing TO obtain required permits for the installation of Measures and provide verification thereof upon request. Each permit must be signed off by the issuing authority as ~~EVIDENCE~~proof of project completion.

~~14.312.5~~ **Funding.** It is the policy of the Program to disburse funds only for ~~specified phased payments, progress payments or for~~ projects that are complete.

~~14.412.6~~ **Recording.** It is the policy of the Program to record the Notice of Assessment and Payment of SPECIAL TAX/Contractual Assessment Required documentation in a manner consistent with state law.

~~14.5~~ **Asset Verification.** It is the policy of the Program to confirm that product(s) listed on the Completion Certificate and for which Program financing has been provided have been installed ~~INCLUDING~~by providing proof of completion by city inspector or other third-party inspector AND THAT THE PARTNER DEVELOP AND IMPLEMENT A RANDOMIZED ONSITE INSPECTION PROTOCOL ACCEPTABLE TO THE AUTHORITY.

To: GSFA Executive Committee

From: Greg Norton, Executive Director
Lisa McCargar, Chief Financial Officer
Craig Ferguson, Vice President

Date: July 6, 2016

Re: PACE Program Complaint - **Information Only**

Summary

As the Executive Committee has been made aware, Renovate America has made some very serious accusations regarding Ygrene and GSFA PACE program practices. GSFA has taken these accusations seriously and has been attentive and diligent in following up on these claims. Procedures and status are outlined below.

Issues

Renovate America Accusations:

Renovate America has made claims that Ygrene has violated certain PACE regulatory and program policies. To date, GSFA has performed the following in the performance of its due diligence and process to assess the validity and significance of the various accusations made:

- Reviewed the allegations and materials provided by Renovate America;
- Held numerous meetings and conversations with Ygrene Executive Management to ask questions and address these issues;
- Participated in a conference call with Ygrene's primary investor;
- Participated in a conference call with one rating agency that will be rating the next Ygrene issuance;
- Reviewed Ygrene's 2015 audited financial statements which was performed by a national accounting firm;
- Reviewed independent third party audits/analysis of Ygrene operations and practices commissioned by outside parties;
- Evaluated the qualifications of the firms performing independent procedures/audits; and
- Performed validation procedures on sample of Ygrene files selected by GSFA

In addition to the actions taken by GSFA, Ygrene has separately contracted with Quinn Emanuel Urquhart & Sullivan, LLP and FTI Consulting, Inc. to perform an internal investigation relative to Renovate America's claims.

Independent Procedures, Audits and Firm Qualifications and Results:

Independent Financial Statement Audit: GSFA noted that a national, reputable public accounting firm (in the top 20 in nation) with extensive banking and energy experience performed the Ygrene audit. A clean, unmodified opinion was issued for the year ended December 31, 2015.

Mortgage and Real Estate Risk Company ("risk company"): At the direction of a major investor, the risk company performed a review of 50 loans (62 projects) across Ygrene's portfolio. The project was conducted from April 27, 2016 through May 5, 2016, and is therefore considered current for the purpose of review of current practices. Per review of the audit scope, the risk company audited the selected loan files to Ygrene's underwriting criteria, including homeowners' property tax status, verification of bankruptcy and lien status, mortgage payment status, mortgage origination dates, property values and loan-to-value calculations, required signatories, and for California receivables, compliance with Chapter 2.5 (commencing with Section 53311) Part 1 of Division 2 of Title 5 of the Government Code-verifying improvement as stated in assessment contract against contractor invoice. No material discrepancies were noted.

GSFA reviewed the risk company's website which stated that it is a premier global provider of mortgage and real estate market risk management solutions including risk-based analytics, residential loan due diligence, among other services. The company states it has 550 employees and also utilizes over 500 mortgage professionals. Further information on their website speaks to their regulatory expertise including compliance standards from the CFPB, GSE, etc. and due diligence and independence abilities. The risk company appears duly qualified to have performed audit procedures described above. A non-disclosure agreement does not allow us to name the risk company.

The results of the 62 project review showed minor variances and / or comments. Such comments by the risk company related to variances in the Fair Market Value of several properties based on another 3rd party valuation, however, such "variance" would not have changed a borrower's financing. See GSFA's procedures performed below.

Consulting Firm: A global consulting firm was contracted by a lender/investor of Ygrene to perform audit procedures including compliance with program requirements (property tax status, lien/bankruptcy status, geographic boundaries, and loan-to-value) compliance with transaction requirements, reporting (lien), eligibility, collateral custody, accounting internal audit and other procedures. This consulting firm performed an operational review of 400 Ygrene files covering activity in 2014, 2015 and 2016.

The consulting firm, per its website, is a global business consulting and internal audit firm composed of experts specializing in risk, advisory and transaction services. With offices worldwide, the firm seeks to solve problems in finance and transactions, operations, technology, litigation, governance, risk and compliance. The firm appears to be duly qualified to have performed the procedures and those procedures appear relevant in testing compliance with program parameters. The consulting firm's independent review did not reveal any major exceptions. See below for GSFA's validation procedures.

Quinn Emanuel Urquhart & Sullivan is a law firm with practice areas including energy sector disputes, litigation, and white collar and corporate investigations among other areas. Quinn Emanuel has world-wide locations. Quinn Emanuel was contracted by Ygrene and seeks to investigate factual assertions/claims made by Renovate. The firm will report back to Ygrene and advise on any actions or additional procedures to be implemented. The investigation is ongoing. Ygrene has agreed to share this report with GSFA once it has been completed.

GSFA Validation Steps:

In addition to the conference calls and management interviews described above, GSFA elected to validate the results of the two audits (risk company and consulting firm) described above. GSFA was provided access to the list of files tested and selected a sample of files for performance of its own review and procedures. GSFA selected 10% of each set, hence selecting 5 of 50 and 40 of 400 for independent review. Those procedures included steps to address Renovate America's claims and validate results of the various audits performed and included:

- Review of borrower and applicant files for compliance with:
 - Application process
 - Approval process
 - Adhering to list of authorized improvements
- Underwriting guidelines
 - Appropriate documentation
 - Meeting LTV and other minimum levels to obtain financing
 - Meeting no bankruptcy, outstanding tax bills, etc. criteria

Results of GSFA Validation Steps:

GSFA's steps revealed some minor exceptions within the files sampled and the attributes selected for validation. For the 5 of 50 files selected, GSFA came to the same conclusion noting no variances (however, GSFA did not perform a 3rd party fair value confirmation).

For the 40 of 400 files, GSFA was substantially in agreement with the consulting firm. Some items reviewed were subject to judgement and interpretation and GSFA could not 100% determine, for example, if all construction costs were eligible measures. However, GSFA's review did not reveal consistent, pervasive or material violations. GSFA's review process also revealed an evolution of practices and enhancements to the file documentation over time (between 2014 and 2016). Note that the GSFA/Ygrene program was initiated in the second half of 2015.

GSFA did not note any exceptions that were deemed to be material and/or systemic or that would result in a conclusion that would vary from the results/conclusions of the audits and steps performed by the independent parties noted above.

GSFA will address the review and results of the independent audits at the EC meeting on July 13, 2016 and answer any questions the EC may have regarding the conversations held, review of the audit reports and validation steps taken.

Results of GSFA's Review of Renovate America's 10 Lien Violations:

Renovate America delivered examples of ten transactions that they deemed as violations. GSFA inquired of Ygrene as to the investigation and status of these ten items. Upon request, Ygrene had already performed the internal review and provided responses to each claim. Of the ten, Ygrene indicated that four were valid. GSFA noted, however, that some of these files were from 2014. As of the date of this memo, GSFA is in the process of separately reviewing and validating the ten files.

Conclusion:

Following completion of the review of the independent audit reports of Ygrene practices performed by the above noted entities and performance of the validation processes completed by GSFA, no evidence suggests that Ygrene's practices, although there is room for improvement, are not sound. Further, neither the independent audits, nor GSFA's validation steps substantiate the magnitude of the claims or accusations made by Renovate America.

GSFA will complete its validation steps on the 10 files noted above and will review the results of the investigation being performed by Quinn Emanuel. As stated above, GSFA noted some minor and potential errors, but also observed improvements in Ygrene's process and documentation from 2014 through 2016. Ygrene also discussed mistakes that had occurred in the past, some corrections made and enhanced controls put in place. At this time, GSFA does not have any material concern over Ygrene's PACE practices. GSFA is developing a process to routinely monitor Ygrene activity and performance on an ongoing basis as stated in the GSFA/Ygrene Agreement and the Consumer Protection Policies.

