HERO is the Leading Brand for Residential PACE Financing

Renovate America’s PACE Program, HERO (Home Energy Renovation Opportunity), provides a full PACE financing solution platform

- Beachhead Product Offering
- Unique Underwriting Infrastructure
- Leading Consumer Protection
- Extensive Database of Products
- Data Tracking for Consumers, Contractors and Municipalities
- 95% Would Recommend HERO to a friend
- 93% Would Recommend a HERO Contractor
Measurable Impact

~88% of California households can participate in HERO – 48 counties, ~12.3 Million households

~70,000 homes improved

$1.8 Billion funded in upgrades

15,000+ local clean energy jobs created

$3.1 Billion in local economic impact

3.0 Million Tons of abated CO₂ emissions – resulting in $3.0 Billion in utility bill savings

431 CA Cities & Counties

Said that HERO Program Representatives are friendly, knowledgeable and professional

94%

Said that they would recommend the HERO Program to a friend or relative

93%
PACE Financing & Adoption in America

- In 2008, California became the first state to pass PACE enabling legislation. In its findings, the Legislature noted,

"The upfront cost of making residential, commercial, and industrial, or other real property more energy efficient prevents many property owners from making those improvements. To make those improvements more affordable and to promote the installation of those improvements, it is necessary to authorize an alternative procedure for authorizing assessments to finance the cost of energy efficiency improvements".

- Though 24 states now have statutes in place which enable residential PACE financing, California has, by far, developed the most robust market, accounting for well over 95% of all residential PACE in the U.S.

- Why is that??
PACE Financing & Adoption in America

- Where PACE has scaled widely, such as in CA, the key factor in its success has been the ability to create a seamless transaction for the homeowner – one that enables PACE to compete with conventional forms of financing as a viable option.

- As PACE scaled across the country, policymakers established statutory and programmatic provisions which - though aimed to address legitimate public policy interests - were at odds with market interests.

- In many states, energy audits, a focus on savings-to-investment (SIR) ratios, and lender consent requirements represent transactional barriers. Similarly, lack of clarity regarding lien position, survivability, and non-acceleration present structural disincentives for third party capital providers.

- As a consequence, the potential power of PACE to transform the uptake of energy-efficient home improvements in markets where these transactional and structural barriers exist has yet to be fully unleashed.
Unleashing the Power of PACE

A Lawrence Berkley National Laboratory (LBNL) report released earlier this year entitled, *Energy Efficiency Program Financing: Where it comes from, where it goes, and how it gets there*, found that PACE financing is leading the way in residential energy efficiency loan volume noting,

"a handful of programs drive a very large fraction of total residential energy efficiency loan volume. The two largest programs – the California HERO PACE program and the Mass Save HEAT Loan program (zero percent financing) – account for 46% of the total capital loaned."

- This was based on 2014 data. From 2011 - 2014, the HERO program originated 400M in financing. Since then, the HERO program has originated an additional $1.4 BILLION.

- PACE, because it doesn’t rely on public dollars, has the ability to scale to meet demand in a way that is unparalleled by publicly or rate-payer financed efficiency loan programs.
Consumer Protections

• As PACE market matures, it is imperative that all market participants adhere to robust policies and procedures geared toward preserving the integrity PACE and protecting the interests of consumers.

• PACENation has developed a robust consumer protection policy which programs in MO, FL, and CA have adopted & which should be the national model.

• Policy includes guidelines relating to disclosures, contractor requirements, product eligibility, grievance procedures, and protections for seniors.

• Policy can be found at www.pacenation.us
HERO Consumer Protections

HERO offers the most robust consumer protections in the home improvement industry.

- Financing terms are confirmed in a live, recorded phone call between the homeowner and HERO staff before the homeowner can access and sign their financing documents;

- Homeowners are provided a financing summary modeled after the Consumer Financial Protection Bureau’s “Know Before You Owe” disclosure form

- Contractors are not paid until the job is complete and done to the homeowner’s satisfaction;

- Contractors must be licensed or verified, bonded, and insured;

- Installed products must meet government energy and water efficiency ratings;

- Post-funding consumer supports include dispute resolution and investigative services on everything from workmanship to marketing violations.
Rigorous Program and Underwriting Standards Lead to Strong Performance

- Contractor, product, pricing and permitting requirements
- Term ≤ useful life of asset
- All assessments are fully amortizing
- Maximum 90% loan-to-value ratio
- Current on property taxes (and no more than one late over last 3 years)
- Current on mortgage (and no more than one 30 day late for last 12 months)
- No bankruptcy for last 7 years
- No involuntary liens on property
- $5,000 minimum financing; maximum financing is 15% of property value
- Clear disclosures on terms and fees

- No bond delinquencies
- Average FICO = 710
- Average LTV < 70%
- An overwhelming majority of participants would recommend HERO to a friend
PACE Regulatory Landscape
Federal Housing Regulators Moving In A Positive Direction

- Guidance issued by the FHA and VA in July as a part of the President’s Clean Energy Savings for All Americans initiative

- Recognized that PACE is solving a marketplace failure no other form of financing is solving at scale and builds momentum for the expansion of PACE.

-Outlined how properties with PACE assessments can be purchased and refinanced with Federal Housing Administration (FHA) mortgage insurance and welcomed the use of PACE financing for Veterans Affairs (VA)-insured mortgages.

Key Elements:

• PACE defined as tax/assessment

• In foreclosure, PACE not accelerated and not extinguished

• Arrearages take priority in waterfall, along with other taxes/assessments

• Remaining balance – because not extinguished – subordinate to insured mortgage balance

• PACE providers may subordinate their interest in the delinquency
Questions?

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