



**Western Riverside Council of Governments
Residential Property Assessed Clean Energy
Consumer Protections Policy**

Version 2.0

Adopted February 5, 2018

Table of Contents

OVERVIEW	3
1. ELIGIBILITY AND ASSESSMENT CONTRACT CRITERIA	4
2. INCOME–BASED UNDERWRITING	7
3. DISCLOSURES & DOCUMENTATION	10
4. POST-FUNDING PROPERTY OWNER SUPPORT	13
5. DATA SECURITY	14
6. PRIVACY	15
7. MARKETING & COMMUNICATIONS	16
8. PROTECTED CLASSES	18
9. CONTRACTOR REQUIREMENTS	19
10. ELIGIBLE MEASURES	23
11. MEASURE MAXIMUM FINANCING AMOUNT	25
12. REPORTING	26
13. CLOSING AND FUNDING	28
14. EXAMINATION	29
<i>Exhibit A</i>	30

OVERVIEW

Residential Property Assessed Clean Energy (PACE) programs enable property owners to access energy efficiency, renewable energy, and water efficiency measures that improve the financial, functional and environmental aspects of home ownership. Such upgrades (Measures) make homes less costly to operate and more comfortable to live in, while simultaneously reducing energy and water consumption. PACE provides consumers with another choice in how they can finance these specific Measures.

The Western Riverside Council of Governments (WRCOG) sponsors PACE programs (Programs) administered by third-party providers (Providers). These Providers deliver tools and resources that enable property owners to make smart, informed and responsible choices regarding such Measures.

In December 2011, WRCOG launched the WRCOG HERO Program which provides financing to property owners to implement a range of energy saving, renewable energy, and water conserving measures to their homes and businesses. Measures must be permanently fixed to the property and must meet certain criteria to be eligible for financing. Financing is paid back through a lien placed on the property tax bill. In 2013, the WRCOG HERO Program expanded (an effort called "California HERO") to allow for jurisdictions throughout the state to join WRCOG's Program and allow property owners in these jurisdictions to participate. In July 2016, WRCOG continued to expand its role in PACE Administration by including additional Provider(s) to operate under its umbrella in Western Riverside County.

These policies, cover the following areas: (i) Eligibility and Assessment Contract Criteria, (ii) Income Based Underwriting, (iii) Disclosures and Documentation, (iv) Post-Funding Support, (v) Data Security, (vi) Privacy, (vii) Marketing and Communications, (viii) Protected Classes, (ix) Contractor Requirements, (xi) Eligible Products, (xii) Pricing, (xiii) Reporting, (xiv) Closing & Funding, and (xv) Examination.

In January 2018, WRCOG revised its Consumer Protections Policies to reflect current state laws. These Policies are to be upheld by all Provider(s) that operate a Residential PACE Program under WRCOG's PACE umbrella. Except as otherwise noted, all policies shall be effective 45 days after WRCOG adoption. In addition, under state law, all Provider(s) will be required to obtain a license from the Department of Business Oversight (DBO) at such time as is required by DBO. A Provider(s) will be removed from WRCOG's Program if it is not licensed with DBO. To the extent that these Policies in any way conflict with any state or federal law, such state or federal law shall control.

All Providers must comply with all relevant statutory requirements in accordance with their effective date to the extent, and at such time, that DBO issues any rulemaking with respect to those requirements. The effective statutory compliance dates, as clarified by any applicable rulemaking, determine what a Provider can be examined against vis-a-vis the requirements in these policies.

1. ELIGIBILITY AND ASSESSMENT CONTRACT CRITERIA

Policy Summary: The Program blends traditional credit risk considerations together with statutory requirements and legislative policy 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 property owners to access it. While this process will exclude unqualified property owners and properties, special consideration has been given to developing inclusive standards. These criteria examine four key attributes of every financed project: (i) the real property on which the measures will be installed (“Property” or “Properties”), (ii) the encumbrances presently recorded against the Property, (iii) the nature of the Measures to be installed; and (iv) the property owner’s mortgage and property tax payment history.

All properties eligible for participating in the Program must meet the requirements set forth in the Program Report, which include:

- 1.1. Properties. The Program is available to the entirety of the existing residential housing stock in geographical boundaries of the Program. Properties for which this form of financing is not available include: (i) commercial properties (including residential properties comprising four (4) or more units), (ii) new properties under construction, and (iii) tax exempt properties (properties not subject to levy), such as non-profit or state-owned residential properties. If requested in good faith by the property owner applying for the Program, the Provider(s) is responsible for completing a “second look” eligibility review of 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 on the Subject Property. The encumbrance profile of Properties is one important element of the decision process for Program participation. Accordingly, Properties eligible for Program financing will have the following attributes, as required under California law.
 - 1.2.1. All mortgage-related debt on the Property, plus the total financed PACE assessment may not exceed 97% of the market value of the Property.
 - 1.2.2. The financing may not exceed (i) fifteen percent (15%) of the market value of the Property, up to the first seven hundred thousand dollars (\$700,000) of the Property’s market value, and (ii) ten percent (10%) of the remaining value of the Property above seven hundred thousand dollars (\$700,000) minus any PACE assessment on the Property.
 - 1.2.3. The total amount of any annual property taxes and assessments shall not exceed five percent (5%) of the Property’s fair market value, determined at the time Program financing is approved.
- 1.3. Property Valuation Methodologies: To assess whether a property owner meets the assessment contract criteria set forth in Section 1.2 Encumbrances on the Subject Property, the Provider must determine the market value of the Property using reasonably reliable methods such as: (1) Automated Valuation Models (AVM) and (2) Appraisals.
 - 1.3.1. AVMs must satisfy the following criteria:
 - a. The AVM must be provided by a third-party vendor and the AVM must have estimation models with confidence scores and regular statistical calibration by the third-party vendor.
 - b. If a Provider uses an AVM to determine the Property value, they must utilize at least three AVMs for each Property. The Provider must look to the estimated value for

each AVM. The estimated value is the average between the high and low values, if a range is provided.

- c. The Provider shall utilize the estimated value with the highest confidence score. If an AVM does not produce a confidence score for a subject Property, the Provider is required to utilize the average of all the estimated values that have been returned.

1.3.2. Appraisals must satisfy the following criteria:

- a. The appraisal must have been conducted within six months of the application date.
- b. The appraisal must be conducted by a state-licensed real estate appraiser and conform to the laws or regulations governing requirements for the minimum standards of practice for appraisers.
- c. The Provider should also conform to the Appraiser Independence Requirements established by the Federal Housing Finance Agency (FHFA).

1.4. Interest Rates. The Provider(s) will offer fixed simple interest rates, and payments that fully amortize the obligation. Variable interest rates or negative amortization financing terms are not permitted.

1.5. Subordination. The Provider(s) may offer the capability to accommodate homebuyers and property owners by offering subordination (if agreed upon with WRCOG) of certain rights of its 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 make a loan on a PACE-assessed Property.

1.6. Eligible Measures. The Program provides financing for a broad range of eligible Measures that must be permanently affixed to the Property, the details of which are set forth in Section 10: Eligible Measures. The Program is not available to finance ineligible Measures, which comprise everything not specified in Section 10: Eligible Measures. The Program is not responsible for determining post-installation energy performance, savings or efficacy of such products or projects. The Program relies on U.S. Department of Energy, the Environmental Protection Agency and other government agencies in determining what constitutes an eligible Measure.

1.7. Property Owners. PACE Program assessments appear as line items on property tax bills and property owners repay their financing when they pay their property tax bills. The mortgage and property tax payment history of property owners of record thus is an important decision element of Program eligibility criteria. Accordingly, at the time of application, Property Owners eligible for Program financing will have status and payment histories that are consistent with the following:

1.7.1. The Applicants are the owners of record.

1.7.2. Property tax payments for the subject Property are current. Additionally, the Provider must ask a property owner whether there has been no more than one late payment for the shorter of (i) the previous three years, or (ii) since the present property owner acquired the Property.

1.7.3. The property owner is current on all mortgage debt on the subject Property, and has no more than one late payment during the 12-months immediately preceding the application date and the late payment did not exceed 30 days past due.

1.7.4. The property owner has not been a party to any bankruptcy proceedings within the last seven years, except that the property owner may have been party to a bankruptcy proceeding that was discharged or dismissed between two and seven years before the application date and the property owner has had no payments more

than 30 days past due on any mortgage debt or nonmortgage debt, excluding medical debt, during the 12 months immediately preceding the application date.

- 1.7.5. The Property that will be subject to the assessment contract has no recorded and outstanding involuntary liens in excess of \$1,000.
- 1.7.6. The Property that will be subject to the assessment contract has no notices of default currently recorded which have not been rescinded.
- 1.7.7. The Provider must verify the existence of recorded PACE assessments and must ask if the property owner has authorized additional PACE assessments on the same subject property that have not yet been recorded.
- 1.7.8. The Provider must use commercially reasonable and available methods to verify the above.

2. INCOME–BASED UNDERWRITING

Policy Summary: An important evolution in underwriting and consumer protections for PACE is the consideration of income-based underwriting and the property owner's ability to pay. This new standard was codified in California's AB 1284. Effective April 1, 2018, California law requires that Providers make a reasonable and good faith determination based on documented income that the property owner has a reasonable ability to pay the annual payment obligations for the PACE assessment contract for all applications submitted on or after April 1, 2018. This determination must take place prior to the Provider approving the PACE assessment contract for funding and recordation. This section details four areas of requirements under AB 1284: (1) threshold determination requirements; (2) the assessment of the property owner's income and documentation; (3) the assessment of the property owner's debt obligations; and (4) a residual income calculation. In addition, AB 1284 provides for a limited exception to providing documentation for emergency HVAC projects, which is appropriate and consistent with the public policy of PACE.

2.1. Threshold Determination Requirements. Providers shall abide by the following threshold determination requirements for evaluating a property owner's ability to pay:

- 2.1.1. At least one property owner must submit on his or her application for PACE financing his or her monthly income and monthly housing expenses, as such terms are defined in AB 1284.
- 2.1.2. Providers shall consider both a property owner's income and debt obligations. There is no requirement to consider more income than is necessary, nor to verify assets if verified income is sufficient. In evaluating the income, assets and current debt obligations of the property owner, the equity of the Property that will secure the assessment is prohibited from being considered.
- 2.1.3. The Provider shall also ask the property owner open-ended questions during the confirm terms call, to confirm the income provided on the application and to identify the sources of their income. The confirm terms call is discussed in further detail in Section 3: Disclosures & Documentation.

2.2. Consideration of Property Owner's Income and Reasonable Methods for Documentation. The Provider shall determine and consider the current or reasonably expected income or assets of the property owner that the Provider relies on in order to determine a property owner's ability to pay the PACE assessment annual payment obligations using reasonably reliable third-party records of the property owner's income or assets. The Provider may use automated verification provided the source of that verification is specific to the income of the property owner and not based on predictive or estimation methodologies, and has been determined sufficient for such verification purposes by a federal mortgage lending authority or regulator. Examples of records the Provider may use to verify the property owner's income or assets include but are not limited to:

- 2.2.1. A pay stub showing the most recent pay period or financial institution records showing regular deposits consistent with reported income.
- 2.2.2. Copies of most recent tax returns the property owner filed with the Internal Revenue Service or the Franchise Tax Board.
- 2.2.3. Copies of the most recent Internal Revenue Service Form W-2 (Wage and Tax Statement), or other similar Internal Revenue Service forms that are used for reporting wages or tax withholding.
- 2.2.4. Payroll statements, including the Department of Defense Leave and Earnings

Statement (LES).

- 2.2.5. Financial institution records, such as bank statements or investment account statements reflecting the value of particular assets.
- 2.2.6. Records from the property owner's employer or a third party that obtained income information from the employer.
- 2.2.7. Records from a federal, state, or local government agency stating the property owner's income from benefits or entitlements. Income from benefits paid by a government entity shall not include any benefits for which the recipient must satisfy a means test or any cash equivalent non-monetary benefits, such as food stamps.
- 2.2.8. Income may not be derived from temporary sources of income, illiquid assets, or proceeds derived from the equity from the subject Property.

2.3. Consideration of Property Owners Debt Obligations. The Provider will consider the monthly debt obligations of the property owner to determine a property owner's ability to pay the annual payment PACE assessment obligations using reasonably reliable third-party records, including one or more consumer credit reports from agencies that meet the requirements of Section 1681a(p) of Title 15 of the United States Code.

- 2.3.1. Provider(s) will use at least a two-file Merged Credit Report (MCR) or a Residential Mortgage Credit Report (RMCR). For purposes of this subdivision, monthly debt obligations include, but are not limited to, the following:
 - a. All secured and unsecured debt;
 - b. Stated alimony;
 - c. Stated child support; and
 - d. Monthly housing expenses. If property tax and insurance obligations are not included in a property owner's escrow, a Provider shall use reasonably reliable methods to determine these obligations.

2.4. Residual Income Analysis. In calculating the property owner's ability to pay the annual PACE obligation, the Provider shall consider the property owner's income and debt obligations and determine that the property owner's income is sufficient to cover the following:

- 2.4.1. The PACE payment, including all interest and fees.
- 2.4.2. Any mortgage payments, as defined by the higher of the borrowers self-reported housing payment or housing expenses as described above.
- 2.4.3. All existing debts and obligations.
- 2.4.4. Sufficient residual income to meet basic household living expenses, defined as expected expenses which may be variable based on circumstances and consumption patterns of the household in accordance with AB 1284. A Provider may make reasonable estimation of basic living expenses based on the number of persons in the household. Examples of basic living expenses include, but are not limited to, categories such as food and other necessary household consumables; transportation costs to work or school (fuel, auto insurance and maintenance, public transit, etc.); and utilities expenses for telecommunication, water, sewage, electricity, and gas.

2.5. Limited Exception to Income Documentation for Emergency HVAC Measures. The Provider may waive (in the case of emergency or immediate necessity), the requirements for documenting income, prior to the funding and recordation of a PACE assessment to finance a heating, ventilation, and air conditioning (HVAC) system, boiler, or other system whose primary function is temperature regulation in a home if all the following are met:

- 2.5.1. The Provider first attempted to use an automated means of verification.
- 2.5.2. The Provider asks the property owner open-ended questions during the oral confirmation to identify their income and the sources of their income.
- 2.5.3. The funding is limited to the emergency or immediate necessity measures and any required measures directly necessary to the installation and safe operation of the improvement.
- 2.5.4. Any measure funded is eligible for PACE financing.
- 2.5.5. The property owner executes a waiver of their right to cancel pursuant to Section 5898.16.
- 2.5.6. The amount of the assessment contract does not exceed fifteen thousand dollars (\$15,000) or a monthly equivalent payment on the PACE assessment of one hundred twenty-five dollars (\$125), as adjusted by any annual increase in the California Consumer Price Index as determined pursuant to Section 2212 of the Revenue and Taxation Code, whichever is greater.
- 2.5.7. The Provider will report annually all PACE assessments under the limited emergency exception that were funded and recorded in a form acceptable to WRCOG.

2.6. Provider Responsibility for Income Documentation. In accordance with AB 1284, if there is a difference between the determination of the property owner's ability to pay the annual PACE obligations and the actual amount financed for the property owner, and the property owner is obligated on the underlying home improvement contract, the Provider is responsible for that difference, unless there is intentional misrepresentation by the property owner.

3. DISCLOSURES & DOCUMENTATION

Policy Summary: Documentation for Providers should comply with these Policies and must be clear, easy to understand, and complete. At a minimum, the Provider shall provide written disclosures in a form substantially similar to those set forth in AB 2693 and must engage in a live and recorded confirmation of terms call with a property owner applicant as set forth in SB 242.

- 3.1. **Document Timing.** With respect to any Program-financed project, a property owner needs to: (i) submit an application; (ii) receive approval of the Measures from the Provider(s); and (iii) execute documentation covering the terms described in this Section and in the Disclosures summarized in this Section. Following installation of the Measures, a property owner needs to: (i) execute an acknowledgement that the installation of the Measures has been completed satisfactorily; and (ii) receive a final summary of costs and payments. Delivery to, and execution of all such documentation by, the property owner is the responsibility of the Provider(s). In accordance with the Electronic Signatures in Global and National Commerce (ESIGN) Act, no assessment contract may be denied legal effect, validity, or enforceability solely because an electronic signature or electronic record was used in its formation.
- 3.2. **Measure Review.** WRCOG will review all Measures prior to signing the Assessment Contract and allowing the issuance of the Notice to Proceed.
- 3.3. **Terms.** The following terms are fundamental to the Program and need to be reflected in its documents: (i) the principal assessment amount, including any fees and capitalized interest that have been financed, (ii) the repayment process and schedule, (iii) the payment amounts, (iv) a term that does not exceed the useful life of the measures, (v) the rate of interest charged, (vi) a payment schedule that fully amortizes the amount financed, (vii) the nature of the lien created upon recordation, (ix) the specific measures to be installed, (x) the 3-day right to cancel the financing, (xi) 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., Section 5899.2 rights for solar lease measures). It is the responsibility of the Provider(s) to prepare, deliver and arrange for execution of documents reflecting such terms.
 - 3.3.1. **Right to Cancel.** The property owner is given the right to cancel the contractual assessment on or before midnight of the third business day after all property owners sign the financing documents, in accordance with SB 242 and AB 2693.
 - a. If a property owner cancels the contractual assessment before midnight of the third business day in accordance with the process set forth in SB 242 and AB 2693, it is the responsibility of the Provider(s) to notify WRCOG that the financing has been cancelled.
- 3.4. **Disclosures Policies.** Disclosures heighten a property owner's awareness of key program financing terms and risks that appear in the Program terms and documentation. The Provider(s) will deliver to a property owner all of the disclosures, and obtain acknowledgement that property owners have read and understand them, prior to issuing the Notice to Proceed. The key disclosures of the Program must be provided by Provider(s) in a financing summary in a form consistent with AB 2693 and any subsequent statutory or regulatory requirements. A representative sample of this financing summary is attached hereto as Exhibit A.

- 3.5. Confirmation of Terms. For all Program financing applications the Provider(s) will make an oral confirmation, in plain language, live by telephone (and recorded) with at least one property owner or to a verified authorized representative of the property owner on the call and shall obtain acknowledgement from the property owner on the call to whom the confirmation was given. For avoidance of doubt, a voicemail message does not satisfy the requirement.
- 3.5.1. The Provider(s) will make an oral confirmation that at least one property owner has a copy of the contract assessment documents (financing estimate, disclosures, and right to cancel) and has received a copy of the Home Improvement Contract (HIC).
- 3.5.2. The Provider(s) will ask if the property owner on the call would prefer to communicate during the oral confirmation primarily in a language other than English.
- a. The Provider(s), when confirming terms of a Program financing with a property owner will confirm with the property owner the improvement(s) being financed and will confirm the following key terms of the financing: The total estimated annual costs the property owner will have to pay under the assessment contract, including applicable fees (such as recording fees).
 - b. The total estimated average monthly amount of funds the property owner would have to save in order to pay the annual costs under the PACE assessment, including applicable fees.
 - c. The date his or her first tax payment will be due. That the county annual secured property tax bill, which will include the installment of the PACE lien, will be mailed by the county tax collector no later than November 1 each year, and that if the lien is recorded after the fiscal year closes but before the bill is mailed, the first installment may not appear on the county tax bill until the following year.
 - d. The term of the Program financing.
 - e. That the property owner has a three-business day right to cancel the assessment contract, and that canceling the assessment contract may also cancel the Home Improvement Contract (HIC).
 - f. That the Property will be subject to a lien during the term of the assessment contract.
 - g. That payments for the Program financing will be made through an additional annual assessment on the Property and paid either directly to the county tax collector's office as part of the total annual secured property tax bill, or through the property owner's mortgage impound account. The payments for program financing will cause the property owner's tax bill to increase.
 - h. That the property owner has disclosed whether the Property has received or is seeking additional PACE assessments and has disclosed all other PACE assessments or special taxes that are or about to be placed on the Property, if known to and understood by the property owner.
 - i. That the Property will be subject to a lien during the term of the assessment contract and that the obligations under the assessment contract may be required to be paid in full before the property owner sells or refinances the Property.
 - j. That any potential utility savings are not guaranteed, and will not reduce the assessment payments or total assessment amount.
 - k. That the Provider and home improvement contractor (Contractor) do not provide tax advice, and that the property owner should seek professional tax advice if he or she has questions regarding tax credits, tax deductibility, or of other tax impacts on

the PACE assessment or assessment contract.

- i. That if that property tax payment is delinquent within the fiscal year, the county tax collector will assess a 10-percent penalty and may assess related costs, as required by state law. A delinquent payment also subjects the Property to foreclosure. If the delinquent payment continues past June 30 of a given year and defaults, the county tax collector will assess penalties at the rate of 1 ½ percent per month (18 percent per year), and the Property will continue to be subject to foreclosure and may become subject to the county tax collector's right to sell the Property at auction.
- m. Effective April 1, 2018, the Provider(s) shall ask the property owner open-ended questions during the confirm terms call, to confirm the income provided on the application and to identify the sources of their income.

3.5.3. Effective January 1, 2019, if the confirmation of terms was made in another language other than English, the Provider(s) shall deliver in writing the disclosures, contract, and agreement including, but not limited to the following: assessment contract documents, financing estimate and disclosure, and right to cancel form, in accordance with the requirements of SB 242 and any additional rulemaking by DBO.

3.5.4. The Provider shall comply with the following when giving the oral confirmation: (i) the Provider shall record the oral confirmation in an audio format in accordance with applicable state law; (ii) the Provider may not comply with the requirement through the use of a prerecorded message, or similar device or method; and (iii) the oral confirmation provisions of this Section 3 are in addition to the documents required to be provided to the property owner under this Section 3.

3.5.5. The Provider shall make available to WRCOG any oral confirmation calls for Program financing requested by WRCOG for the purpose of enabling WRCOG to perform monitoring and testing of such calls.

3.6. Quality Assurance Calls. WRCOG may conduct a quality assurance call with a property owner to provide the property owner with an opportunity to review the project, proposal, and financing terms. Providers are not responsible for, and will not be subject to examination with respect to, WRCOG's quality assurance calls.

3.6.1. The Quality Assurance Call will provide the property owner(s) with the opportunity to confirm the following, as well as, ask any additional questions:

- a. The specific Measure(s) being obtained by such property owner.
- 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.
- f. Payments for the Program financing will be added to the property tax bill and will cause the property tax bill to increase.
- g. Payments on the Program financing may be made either directly to the county assessor's office or through his or her mortgage impound account.
- h. That the HIC has been provided to the property owner.

4. POST-FUNDING PROPERTY OWNER 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 a function responsible for customer care that responds to inquiries, complaints, Contractor(s) and workmanship concerns of the measures financed is fundamental to the consumer protections that the Program provides.

- 4.1. Proactive Engagement. The Provider(s) are to proactively monitor and test the consumer protections delivered to property owners, and to request feedback from property owners and Contractor(s) to identify areas in need of improvement.
- 4.2. Onboarding. The Provider(s) must develop and implement a post-installation onboarding procedure to reinforce key characteristics of the Program, such as those highlighted in the Program disclosures.
- 4.3. Payments. The Provider(s) must be available to field property owner questions regarding payments. Providers must develop and implement procedures for responding in a timely and complete manner to requests for partial or full prepayment, matters regarding mortgage escrow or mortgage impound accounts catch up payments, payment timing inquiries and payment amount reconciliation, among others.
- 4.4. Complaints. The Provider(s) will develop and implement policies and procedures for responding to questions and addressing complaints as soon as reasonably practicable.
- 4.5. Property Owner Recourse. The Provider(s) will receive, manage, track, timely resolve, and report on all inquiries and complaints from property owners and provide WRCOG with a regular report. The Provider(s) 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 property owners available during regular business hours by phone, email, and facsimile communication.
- 4.6. Real Estate Transactions. The Provider(s) must develop capabilities to assist property owners, and real estate professionals representing property owners, who are refinancing or selling their Properties.

5. 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 property owners have with the Provider(s) 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 property owner personal identifiable information at points of potential vulnerability, especially during the application process.

- 5.1. Information Systems. Each Provider is required to develop a process to comply with secure and tested processes to protect nonpublic personal information of the property owner. The process must include:
 - 5.1.1. 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.
 - 5.1.2. A protocol for access to information, based upon job function and need-to-know criteria.
 - 5.1.3. Measures that protect the security and confidentiality of consumer records and information including, without limitation, requiring all computers and other devices containing any nonpublic personal information to have all drives encrypted with industry standard encryption software.
 - 5.1.4. Monitoring and logging all remote access to its systems, whether through VPN or other means.
 - 5.1.5. Data security policies are subject to audit upon the request of WRCOG. Any such requested audit shall be performed no more than once during a given twelve-month period, and may be performed either (i) by the Provider, or a designee thereof, or (ii) by an independent auditor, hired by WRCOG and agreed to by the Provider. If the audit is performed by the Provider(s), the results of the audit will be shared with WRCOG.
 - 5.1.6. 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 maintain data security.
- 5.2. Personnel. Each Provider is responsible for:
 - 5.2.1. Informing and enforcing the compliance with the Program’s data privacy and security policies on the part of every employee, contractor(s), vendor, agent, service Provider(s), representative, and associate who is exposed to personal identifiable information of property owners.
 - 5.2.2. Implementing protections and controls to prevent unauthorized copying, disclosure, or other misuse of nonpublic personal information.

6. PRIVACY

Policy Summary: The trusting and confidential relationship that exists between property owners and Program extends to the Provider(s) use of property owner data. Compliance with the Gramm-Leach-Bliley Act (GLBA), 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 nonpublic personal information, respect the privacy of all property owners, and implement robust controls to prevent unauthorized collection, use and disclosure of such information.

The following summarizes the Program's privacy policy:

- 6.1. Privacy Policy. The Program obtains nonpublic personal information (as defined in the federal Gramm-Leach-Bliley Act of 1999 and its implementing regulations, collectively, the "GLBA") from property owners as part of the Program application process. Accordingly, each Provider shall provide to property owners any required privacy notices in a manner and form that complies with applicable state and federal laws and regulations, including the GLBA. The Provider will deliver the privacy notice to property owners prior to execution of the assessment contract and annually thereafter, or at such other times as permitted under the GLBA.
- 6.2. Application Process. Unless otherwise consented to by a property owner, all nonpublic personal information provided by a property owner to a Provider during the application process will be provided directly by the property owner to the Provider. The Provider will establish processes and controls to enable the property owner (or the property owner's legal representative or attorney in fact) to provide personal information directly to the Provider and not from a Contractor or other third party.

7. MARKETING & COMMUNICATIONS

Policy Summary: Clear, informative, truthful, balanced, transparent and complete communications are essential for the Program. The stakeholders of the Program include property owners, Contractors, WRCOG, government officials and staff, investors, Providers, real estate professionals, and lenders, among others. Communications, acts and practices that mislead stakeholders, add ineligible expenses to PACE financing or to the Program, abuse stakeholders, and otherwise fail to meet the core communication standards of appropriateness for the Program and are not acceptable.

- 7.1. **Prohibited Practices.** The Provider shall prohibit Contractors from employing practices that are unfair, deceptive, abusive, misleading, that violate laws or regulations that provide tax advice, or that are incomplete or inconsistent with the Program's purpose.
- 7.1.1. Providers and Contractors are prohibited from: (i) suggesting or implying in any way that PACE is a government assistance program, (ii) suggesting or implying that PACE is a free program, (iii) suggesting or implying that PACE does not involve a financial obligation that the property owner must repay, (iv) using check facsimiles to dramatize the amount of PACE Program financing that would be available or presenting a check facsimile as if a negotiable instrument.
- 7.1.2. Contractors are prohibited from use a local government's logo, city seal, or other graphic in marketing materials or presentations in a way that explicitly communicates an endorsement of the Program by the local government.
- 7.1.3. Marketing practices that are likely to add unnecessary expense to a property owner (e.g., paying consumers for applications), that unlawfully use sensitive consumer data or that violate any other law or regulation (including, for example, practices related to telemarketing) are prohibited.
- 7.1.4. Providers must not violate federal or state "Do Not Call" laws and must require that Contractors and other permitted vendors do not violate such laws.
- 7.1.5. Providers will not permit Contractors to advertise the availability of assessment contracts that are administered by the Provider, or to solicit property owners on behalf of the Provider, unless both of the following requirements are met:
- a. The Contractor maintains in good standing an appropriate license from the Contractors State License Board, as well as any other permits, licenses, or registrations required for engaging in its business in the jurisdiction where it operates, and maintains the required bond and insurance coverage pursuant thereto.
 - b. The Provider obtains the Contractor's written agreement that the Contractor(s) or third party will act in accordance with applicable advertising and marketing laws and regulations, and all other applicable laws.
- 7.1.6. Provider(s) is responsible for developing written processes relating to marketing practices. A copy of the written processes are to be submitted to WRCOG whenever materially updated by the Provider(s).
- 7.2. **Permitted Practices.** Provider(s) and Contractor(s) are 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 property owners and is not prohibited as described in section 7.1 above is permitted. The Provider(s) is responsible for monitoring and testing its marketing materials for compliance and correcting any non-compliant materials.

- 7.3. Tax Advice. Providers and Contractors shall not make any representation as to tax deductibility of an assessment contract unless it is consistent with the representations of the Internal Revenue Service or state tax agency with regard to tax treatment of PACE assessments. Providers may encourage property owners to seek the advice of an expert regarding tax matters related to the Program.
- 7.4. Payments in Exchange for Financing. The Providers, Contractors, and Affiliated Individuals may not provide any direct cash payment or other thing of value to a property owner explicitly in exchange for such property owner's selecting Program financing. Programs or promotions that offer reduced fees or interest rates to property owners are neither a direct cash payment nor "other thing of value," provided that the reduced fee or interest rate is reflected in the assessment contract and in no circumstance provided to the property owner as cash consideration.
- 7.5. Same as Cash Pricing. A Contractor(s) shall not provide a different price for a project financed by a PACE assessment than the Contractor(s) would provide if paid in cash by the property owner.

8. PROTECTED CLASSES

Policy Summary: It is the Provider(s) responsibility to comply 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, gender, 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).

- 8.1. General. The Provider(s) must develop controls and methods to monitor and test compliance with all state and federal laws covering property owners in protected classes.
- 8.2. Elders. The Provider(s) are to develop a process to verify compliance with applicable state and federal laws covering property owners 65 years and older.
- 8.3. Financing Access and Decisions. The Provider is responsible for providing legally unbiased access to, and decisions of, requests for Program participation to all applicants for Program financing.

9. CONTRACTOR REQUIREMENTS

Policy Summary: Contractor(s) and its salespersons are one of the primary means through which property owners become aware of Program participation options. Contractor(s) and its salespersons enter into participation agreements with the Provider(s), and are required to register with all relevant state and local licensing boards and agencies as required by applicable law. Contractor(s) are required to complete training courses, follow a code of conduct, maintain policies of insurance, post bonds, follow marketing requirements, among other obligations, all of which are designed to assure positive and productive property owner interaction with the Program. The policies below outline two sets of requirements: the first set of requirements from Section 9.1 to 9.5 are effective 45 days after Executive Committee adoption and the second set of requirements from Section 9.6 to 9.11 are effective at such time as required by DBO, but no earlier than January 1, 2019.

- 9.1. Policies. All Contractor(s) who offer Program financing will become “Registered Contractors” by executing the Provider’s Contractor Participation Agreement (the “PCPA”). All such Contractor(s), and salespersons for such Contractor(s) who advertise the availability of assessment contracts to property owners (“Affiliated Individuals”), are subject to the requirements of the PCPA, which include:
 - 9.1.1. Compliance with Provider-issued code of conduct and any relevant state or local contractor code of conduct;
 - 9.1.2. Maintenance of an active license, and being in good standing, with the CSLB, as well as maintenance of insurance and an ability to meet bonding requirements;
 - 9.1.3. Execution of the PCPA by a person who is authorized to act on behalf of, and who is responsible for the actions of, a Registered Contractor;
 - 9.1.4. Oversight and management of employees, independent contractors and subcontractors who provide services to such Registered Contractors;
 - 9.1.5. Meeting all other state and local licensing, training and permitting requirements;
 - 9.1.6. Compliance with the Program’s marketing policies; and
 - 9.1.7. Requiring that Registered Contractors (i) register their Affiliated Individuals, including completing reasonable identity verification procedures and (ii) provide the Program with information regarding each Affiliated Individual conducting sales services related to the Program.
- 9.2. Marketing. The Provider will require the Registered Contractor to be in compliance with the Program’s marketing policies. See Section 7.0: Marketing & Communications for additional information.
- 9.3. Provider must require all Affiliated Individuals to register with the Program.
- 9.4. Contractor(s) Management. Provider(s) must implement contractor management systems and procedures that manage and track Registered Contractor(s) training and compliance violations on an individual and company basis. The Provider(s) must provide WRCOG with regular updates on compliance violations and related actions (if any).
- 9.5. Remedial Action. The Provider(s) have the ability to warn, suspend or terminate a Registered Contractor and/or Affiliated Individual from the Program based on violations of the PCPA. The Provider will not accept Program applications processed by suspended or terminated Contractor and/or representatives.

The following provisions will become effective at such time as required by DBO, but no earlier than January 1, 2019:

- 9.6. Contractor(s) Registration. The Provider(s) will establish and maintain a process to promote and evaluate the compliance of Registered Contractor(s) and its Affiliated Individuals with the requirements of applicable law, which shall include all of the following, at a minimum:
 - 9.6.1. A risk-based, commercially reasonable procedure to monitor and test the compliance of the Registered Contractor(s) and its Affiliated Individuals with Section 22689(a) of the California Financial Code.
 - 9.6.2. A procedure to regularly monitor the license or registration status of the Registered Contractor(s) and its Affiliated Individuals.
 - 9.6.3. A periodic review of the solicitation activities of Registered Contractor(s) enrolled with the Provider(s), to be conducted at least once every two years.
- 9.7. New Contractor(s). The Provider(s) will provide the following for new Registered Contractor(s) operating in the Program.
 - 9.7.1. The Provider(s) will establish and maintain a process for enrolling Registered Contractor(s) in accordance with state law. The process must include:
 - a. A written agreement between the Provider(s) and Registered Contractor(s) and will set forth the obligations of the Registered Contractor(s) and its Affiliated Individuals.
 - b. A review of readily and publicly available information.
 - 9.7.2. The Provider(s) will establish and maintain a process for enrolling Affiliated Individuals, which will include a background check. A Provider(s) may rely on a background check conducted by the CSLB to comply with this requirement.
 - 9.7.3. The Provider(s) will not enroll a Registered Contractor(s) or an Affiliated Individual, that does not satisfy at least one of the following criteria:
 - a. Maintain in good standing a license from the CSLB.
 - b. Maintain a registration in good standing with the CSLB as a home improvement salesperson.
 - c. Be exempt from, or not subject to, licensure or registration under the Contractors' State License Law (Chapter 9 (commencing with Section 7000) of Division 3 of the Business and Professions Code).
 - d. The Provider(s) will notify DBO and WRCOG of each Registered Contractor and Affiliated Individual that it has enrolled.
 - 9.7.4. The Provider(s) will not enroll a Contractor if, as a result of the review conducted as part of the Provider's enrollment process, the Provider(s) finds any of the following:

- a. A clear pattern of consumer complaints about the Registered Contractor(s) regarding dishonesty, misrepresentations, or omissions.
- b. A high likelihood that the Registered Contractor(s) will solicit assessment contracts in a manner that does not comply with applicable law.
- c. A clear pattern on the part of the Registered Contractor(s) of failing to timely receive and respond to property owner complaints regarding the Contractor(s).

9.8. Affiliated Individual Training. The Provider(s) will establish and maintain a training program for Affiliated Individuals, which is acceptable to DBO.

9.8.1. The Provider(s) will require each Affiliated Individual to complete an introductory training that addresses the topics listed below as part of the Provider(s) enrollment process for Affiliated Individual(s). The introductory training shall require that the Affiliated Individual pass a test that measures the Affiliated Individual's knowledge and comprehension of the training material. The introductory training shall not be subject to any minimum duration requirements.

9.8.2. In addition to the introductory training, the Provider(s) will require that each Affiliated Individual complete six hours of education provided by the Provider(s) within three months of completing the Provider(s)'s enrollment process. The training shall include the following topics:

- a. PACE programs and assessment contracts.
- b. PACE disclosures.
- c. Ethics.
- d. Fraud prevention.
- e. Consumer protection.
- f. Nondiscrimination
- g. Senior financial abuse.

9.9. Certification. The Provider(s) will require all Affiliated Individuals to satisfy training requirements as set forth by DBO.

9.10. Remedial Action. The Provider(s) will establish and implement a process for canceling the enrollment of Registered Contractor(s) and Affiliated Individuals that fail to maintain the minimum qualifications required by AB 1284.

9.11. Notification of Suspended or Terminated Registered Contractor. Upon the suspension or termination of a Registered Contractor(s), the suspending or terminating Provider(s) must provide written notice ("Suspension or Termination Notice") to WRCOG. The Provider(s) will provide regular updates to WRCOG on Registered Contractor(s) suspensions and/or

terminations. Only until such time that Provider(s) are required to begin notifying DBO of Registered Contractor terminations, WRCOG may inform other Authorities of the termination of a Registered Contractor, subject to and after consultation with the Provider and counsel.

10. ELIGIBLE MEASURES

Policy Summary: The Program enables and encourages property owners to install Measures which are designed to provide a public benefit (such as saving water and energy) in accordance with applicable law. The Program is responsible for implementing practices and controls (e.g., eligible Measures list and product confirmation processes) to provide for financing to be used only for eligible Measures. The Provider shall establish a process for confirming that all Measures not only meet PACE-eligibility criteria, but also meet or exceed the specifications detailed by the Program. The Provider is not responsible for determining post-installation energy performance, savings or efficacy of such Measures.

10.1. Policies. WRCOG and the Provider will:

- 10.1.1. Establish, maintain and make publicly available an Eligible Measure List (EML) for each Program which documents, at a minimum, the following criteria for each eligible Measure: the name of description, the associated eligibility specifications (i.e. performance thresholds, certification requirements, installation criteria) and the expected useful life in years.
- 10.1.2. Define a written process for adding or modifying the EML;
- 10.1.3. Include Measures on the EML that are consistent with the scope of PACE Program activities (i.e. public purpose benefits) and categories of Measures eligible for financing (e.g. energy efficiency, renewable energy, etc.) as defined by WRCOG.
- 10.1.4. Determine eligibility specifications for each Measure based upon credible third-party standards and/or certification criteria that have established by appropriate government agencies and/or nationally-recognized standards and testing organizations, including but not limited to, the U.S. Department of Energy, U.S. Environmental Protection Agency, national research laboratories, state energy offices, state building code divisions, International Code Council, Building Performance Institute, National Fenestration Rating Council, Solar Rating and Certification Corporation, Cool Roof Rating Council, and Air Conditioning Heating and Refrigeration Institute;
- 10.1.5. Determine the useful life for each Measure is based on research from credible third-party sources of information, such as but not limited to the International Association of Certified Home Inspectors (InterNACHI), National Association of Home Builders (NAHB), American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE), manufacturer warranty documentation, etc.; and;
- 10.1.6. Require that the product is permanently affixed to the Property.

10.2. Custom Measure Policies. If the Program intends to permit financing of Measures not explicitly included in on the EML the Program through consultation with the Provider and Authority must:

- 10.2.1. Establish and maintain a Custom Measure Application (CMA) that permits Contractors and property owners to submit Measure requests for review and consideration of eligibility.
- 10.2.2. Establish and maintain CMA review and approval guidelines that clearly outline the key requirements and criteria that must be met or exceeded in order for the CMA to be approved.
- 10.2.3. Ensure that CMA review and approval guidelines align with policies defined in sections 10.1.1 – 10.1.4 herein.

10.3. Ancillary Work Scope Policies. It is acknowledged that the installation of Measures may need to

include ancillary work scope items (i.e. site preparation) that are not explicitly listed in the EML. Therefore, the Program must evaluate such items using the following guidelines for ancillary work scope items that are allowed to be included in the use of Program financing:

10.3.1. Ancillary work scope items must be directly related and necessary to complete the installation of an eligible Measure, or set of Measures, included in the Program-financed project.

10.3.2. The Provider will obtain descriptions of ancillary work scope items for each Program-financed project and provide such descriptions to WRCOG.

10.4. Procedures. The Provider(s) will obtain the property owner's acknowledgement that property owners applying for Program financing intend to install eligible Measures, and that at the time of funding such Measures have been installed.

10.5. Ineligible Products. Providers shall establish processes designed to prevent financing of: (i) products that are not included on the EML, (ii) products that do not meet the eligibility specifications as defined in the EML, and/or (iii) products which have not been approved as a Custom Measure.

11. MEASURE MAXIMUM FINANCING AMOUNT

Policy Summary: Many property owners cannot readily access price information regarding the installation of energy efficiency, renewable energy and water conservation measures 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.

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

- 11.1. The Provider(s) will develop maximum financing amounts based on market data and the Provider(s)'s experience, but not to set pricing for installation of eligible products and projects. In evaluating project pricing, the Provider(s) takes into account regional factors that may contribute to the pricing of measures.
- 11.2. The Provider(s) will, at a minimum, establish an MFA for each product type (e.g. for central air conditioners, solar PV systems, solar thermal systems, and artificial turf). The Provider(s) will provide WRCOG with access to the MFA for each product type.
- 11.3. 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). The Provider(s) will establish product/project attribute related pricing rules that dictate what pricing within such low to high MFA range is justified.
- 11.4. The Provider(s) will establish processes and systems for purposes of enforcing the MFA rules for every project.
- 11.5. A Measure may only be funded for an amount that is greater than the MFA for such Measure if (i) the amount exceeding the MFA is justified by reasonable standards that are validated and documented through processes and systems acceptable to WRCOG, or (ii) the MFA is used by the Provider as one factor in a multifactor process for evaluating the overall risk profile of a project financed by the Program. The Provider(s) must receive written approval from WRCOG prior to implementing such a multifactor process. If the Provider does not use a multifactor process approved by WRCOG, the Provider must provide in writing to WRCOG the justification for approving a Measure that exceeds the MFA in advance of approving the Measure.

12. REPORTING

Policy Summary: Reporting the estimated economic and environmental results of Program participation is essential for the Program, Provider(s), 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 savings serve this need. The Provider(s) will report bi-annually to WRCOG. As is consistent with SB 242, Providers shall submit a written report to WRCOG no later than February 1 for the activity that occurred between July 1st through December 31st of the previous year, and another report no later than August 1 for the activity that occurred between January 1st through June 30th of that year.

- 12.1. WRCOG Bi-Annual Reporting Requirements. Reports shall contain the information below, along with all methodologies and supporting assumptions or sources relied upon in preparing the report. It is the responsibility of the Provider 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.
 - 12.1.1. The number of PACE assessments funded, by city, county, and ZIP Code.
 - 12.1.2. The aggregate dollar amount of PACE assessments funded, by city, county, and ZIP Code.
 - 12.1.3. The average dollar amount of PACE assessments funded, by city, county, and ZIP Code.
 - 12.1.4. The categories of installed efficiency improvements whether energy or water efficiency, renewable energy, or seismic improvements, and the percentage of PACE assessments represented by each category type, on a number and dollar basis, by city, county, and ZIP Code.
 - 12.1.5. The definition of default used by the Provider.
 - 12.1.6. For each delinquent assessment:
 - a. The total delinquent amount.
 - b. The number and dates of missed payments.
 - c. ZIP Code, city, and county in which the underlying Property is located.
 - 12.1.7. For each defaulted assessment:
 - a. The total defaulted amount.
 - b. The number and dates of missed payments.
 - c. ZIP Code, city, and county in which the underlying Property is located.
 - d. The percentage the defaults represent of the total assessments within each ZIP Code.
 - e. The total number of parcels defaulted and the number of years in default for each Property.
 - 12.1.8. The estimated total amount of energy saved, and the estimated total dollar amount of those savings by property owners by the efficiency improvements installed in the calendar year, by city, county, and ZIP Code. In addition, the report shall state the total number of energy savings improvements, and number of improvements installed that are qualified for the Energy Star program of the United States Environmental Protection

Agency and Department of Energy, including the overall average efficiency rating of installed units for each product type.

12.1.9. The estimated total amount of renewable energy produced by the efficiency improvements installed in the calendar year, by city, county, and ZIP Code. In addition, the report shall state the total number of renewable energy installations, including the average and median system size.

12.1.10. The estimated total amount of water saved, and the estimated total dollar amount of such savings by property owners, by city, county, and ZIP Code. In addition, the report shall state the total number of water savings improvements, the number of efficiency improvements that are qualified for the WaterSense program of the United States Environmental Protection Agency, including the overall average efficiency rating of installed units for each product type.

12.1.11. The estimated amount of greenhouse gas emissions reductions.

12.1.12. The estimated number of jobs created.

12.1.13. The average and median amount of annual and total PACE assessments based on ZIP Code, by city, county, and ZIP Code.

12.1.14. The number and percentage of property owners over 60 years old by city, county, and ZIP Code.

12.2. Department of Business Oversight Reporting. At such time as required by the DBO, the Provider(s) will submit an annual report to the DBO that provides the DBO with data requested in AB 1284 (as outlined below) and data requested through subsequent rulemaking. The Provider will share the report submitted to DBO with WRCOG.

12.2.1. Information beneficial to an evaluation of the overall impact on property owners caused by the 97 percent cap on total PACE and mortgage-related debt.

12.2.2. Information beneficial to an evaluation of the overall impact on property owners caused by the use of an automated valuation model in determining the market value of property subject to a PACE assessment.

12.2.3. Information beneficial to an evaluation of the overall impact on property owners caused by the emergency HVAC provisions.

12.2.4. Information relevant to determining the overall impact on property owners of the absence of a minimum residual income threshold.

12.2.5. The information received will appear in a separate section within the composite of the annual reports required to be prepared by the DBO pursuant to Section 22160.

12.3. Participation in CAEATFA. WRCOG will participate in the PACE Loss Reserve program of the California Alternative Energy and Advanced Transportation Authority. Accordingly, the Programs must report bi-annually on program activity to CAEATFA and WRCOG.

13. CLOSING AND FUNDING

Policy Summary: The Program provides limited purpose financing to property owners, and not general purpose financing that is common among other sources of financing. The Program has front-end (e.g., eligible Measures approval) and pre-funding (e.g., completion certificates) procedures designed to verify that Program financing is only used for eligible Measures. Such procedures are essential to the integrity of the Program.

- 13.1. Installation Completion Sign-off. The Provider shall require that the property owner and the Contractor attest that the products financed are installed, operational, and in a condition that is acceptable to the property owner by signing a document stating that all Measures have been installed to the Property Owner's satisfaction and in accordance with product specifications. It is the responsibility of the Provider to confirm any such document is signed within the maximum allowable installation time as specified by the Program.
- 13.2. Permits. Property owners seeking Program financing are to obtain required permits for the installation of all Measures and provide verification thereof upon request.
- 13.3. Funding. The Program must disburse funds only for projects for which the property owner has signed a Completion Certificate.
 - 13.3.1 The Provider(s) may not waive or defer the first payment on an assessment contract. A property owner's first assessment payment shall be due no later than the fiscal year following the fiscal year in which the installation of the efficiency improvement is completed.
- 13.4. Recording. WRCOG will record the Notice of Assessment and Payment of Contractual Assessment Required documentation in a manner consistent with state law.
- 13.5. Measure Verification. The Provider(s) will implement a randomized eligible Measure verification protocol acceptable to WRCOG. This protocol will be applied to a sample population of projects financed by the Program through the Provider to determine whether Measures listed on the Completion Certificate and for which Program financing has been provided have been installed.

14. EXAMINATION

Policy Statement: Regular examination of the Provider(s) and the Program are essential to the Program.

- 14.1. Review. WRCOG will initiate, with a third party, a periodic review of Provider(s) to evaluate adherence to the Program Report and Consumer Protection Policies. After the Provider(s) complete(s) its first full year of operation in the Program, WRCOG may reduce the frequency of future operational analyses.
 - 14.1.1. The scope of the operational analysis will include a review of multiple assessment types and will examine a Provider's adherence to the policies and practices included in WRCOG's Program Report and Consumer Protections Policies. The specific requirements for review include, but are not limited to:
 - a. Eligible and Assessment Contract Criteria
 - b. Income-Based Underwriting
 - c. Disclosure and Documentation
 - d. Post-Funding Property Owner Support
 - e. Data Security
 - f. Privacy
 - g. Marketing and Communications
 - h. Protected Classes
 - i. Contractor Requirements
 - j. Eligible Measures
 - k. Measure Maximum Financing Amount
 - l. Reporting
 - m. Closing and Funding
- 14.2. Operational Analysis Report. WRCOG may make findings from the Final Report available to the public.

Exhibit A

Sample Financing Summary

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 arrangement described below will result in an assessment against your property which will be collected along with your property taxes and will result in a lien on your property. You should read and review the terms carefully, and if necessary, consult with a tax professional or attorney.

Customer Service Toll-Free telephone number and email:

In the event you have a consumer complaint, questions about your financing obligations related to the contractual assessment or your contractual rights under the terms of this 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: _____

Customer service email address: _____

Products and Costs

Product costs (including labor/installation) \$ _____

Description

- 1.
- 2.
- 3.

Financing Costs

Application fees and costs \$ _____
Prepaid Interest \$ _____
Other Costs \$ _____
Total Amount Financed \$ _____

Annual Percentage Rate (APR)

Simple Interest Rate _____ %
Total Annual Principal, Interest, and Administrative Fees _____ %
\$ _____

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 \$ _____

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 _____

Additional Information About These Financing Comparisons[Use this information to compare to other financing options]

Over the term of the financing \$ _____ Principal you will have paid off.
 \$ _____ Amount of interest you have paid.
 \$ _____ Amount of financing and other costs you will have paid.
 \$ _____ Total you will have paid.

Annual Percentage Rate _____%

Total Interest Paid (as a percentage of all the payments you have made) _____%

Other Important Considerations

I understand that I may be required to pay off the remaining balance of this obligation by the mortgage lender refinancing my home. If I sell my home, the buyer or their mortgage lender may require me to pay off the balance of this obligation as a condition of sale.

_____ [Borrower initials]

Monthly Mortgage Payments

Your payments will be added to your property tax bill. Whether you pay your property taxes through your mortgage payment, using an impound account, or if you pay them directly to the tax collector, you will

need to save an estimated \$_____ for your first tax installment. If you pay your taxes through an impound account you should notify your mortgage lender, so that your monthly mortgage payment can be adjusted by your mortgage lender to cover your increased property tax bill.

[Borrower initials]

Tax Benefits: Consult your tax adviser regarding tax credits, credits and deductions, tax deductibility, and other tax benefits available. Making an appropriate application for the benefit is your responsibility.

[Borrower initials]

Statutory Penalties: If your property tax payment is late, the amount due will be subject to a 10% penalty, late fees, and 1.5% per month interest penalty as established by state law, and your property may be subject to foreclosure.

[Borrower initials]

Three Day Right to Cancel

You, the property owner, may cancel the contract at any time on or before midnight on the third business day after the date of the transaction to enter into the agreement without any penalty or obligation. To cancel this transaction, you may mail or deliver a signed and dated copy of the contract with notice of cancellation to:

_____ [name of business] at
_____ [address]

You may also cancel the contract by sending notification of cancellation by email to the following email address: _____ [email address of business].

[Borrower initials]

Confirmation of Receipt

This confirms the receipt of the information in this form. You do not have to accept this financing just because you acknowledge that you have received or signed this form, and it is NOT a contract.

[Property Owner Signature - Date]

[Property Owner Signature - Date]