CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY

Overview of the Property Assessed Clean Energy (PACE) Loss Reserve Program

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CAEATFA's PACE Loss Reserve Program launched in March 2014 to support residential PACE financing by making first mortgage lenders whole for direct losses as a result of a PACE lien in a foreclosure or forced sale. The $10 million loss reserve currently supports 81,707 PACE financings with an outstanding value of over $1.8 billion from 14 PACE programs.

BACKGROUND ON PACE FINANCING IN CALIFORNIA

Statutory Authorization

Property Assessed Clean Energy ("PACE") financing was initially authorized in California by AB 811 (Levine, Statutes of 2008), which amended the Improvement Act of 1911 to allow local agencies to enter into contractual assessments with property owners to finance energy efficiency and renewable energy projects permanently affixed to the property. Future legislation added water efficiency, EV charging infrastructure, and seismic strengthening to the list of projects eligible for PACE financings under the Improvement Act of 1911, as amended by AB 811. In 2011, SB 555 (Hancock, Statutes of 2011) amended the Mello Roos Community Facilities Act of 1982 to authorize a community facilities district to finance energy efficiency, water conservation, and renewable energy improvements through a special tax. The first PACE program was a pilot program in Berkeley called BerkeleyFIRST, which began originating financings in early 2009.

Like other property tax assessments, PACE liens have first priority status, even against pre-existing liens such as a first mortgage, and the PACE financing transfers upon sale unless repaid in full. Additionally, PACE financing does not accelerate upon default—only the amount in arrears is due. In California, default triggers the local agency's right to strip the assessment from the tax roll and go through the judicial foreclosure process to recover amount in arrears.

PACE Program Structures

In California, PACE programs are created by local government entities, such as a city, county, or joint powers authority ("JPA"). Within the bounds of state law, each program has its own processes, requirements, and list of eligible measures. Each program may have a different source of capital for funding projects, whether from the county's treasurery or private investment firms.

PACE programs may be self-adminsitered by the local government entity, such as Sonoma and Placer County, or through a public-private partnership. Additionally, a PACE program may have multiple administrators operating separate "sub-programs", such as with the California Statewide Communities Development Authority's Open PACE program, which currently has four PACE adminsitrators operating separate residential programs, and LA County's residential PACE program, which has two separate administrators.

Cities and counties that wish to offer PACE financing in their district may create a PACE program or may opt into an existing PACE program that is operating statewide by passing a resolution. Cities and counties may also authorize more than one PACE program to operate within their jurisdiction.

Issues with the Mortgage Industry

In June 2009, the Federal Housing Finance Agency ("FHFA") issued a letter voicing concerns over PACE financing, specifically its superior lien status to existing first mortgages. In July 2010, FHFA issued a directive banning Fannie Mae, Freddie Mac, and the Federal Home Loan Banks (the Enterprises) from purchasing mortgages on properties with first-priority PACE liens and advising other protective actions, including redlining PACE communities (e.g. adjusting LTV to reflect max permissible PACE financing amount available and tightening borrower debt-to-income ratios to account for possible PACE financing amounts). A few residential PACE programs chose to continue to operate despite FHFA's directive, but most suspended operations.

The State of California and other parties sued FHFA in September 2010, arguing the directive was a "rule" under the Administrative Procedures Act and needed to be adopted through formal rulemaking. The district court ordered FHFA to begin the rulemaking process, which FHFA did, but in March 2013 the 9th Circuit Court of Appeals held FHFA's directive was a lawful exercise of authority as conservator of the Enterprises, which is not subject to judicial review.

To date, FHFA has maintained its position against first-priority PACE liens. A timeline of PACE in California can be found in Attachment A.

CAEATFA'S PACE LOSS RESERVE PROGRAM

Program Creation

In response to FHFA's directive, Governor Brown signed into law SB 96 (Budget Act of 2013), which directs CAEATFA to establish a "risk mitigation program to increase the acceptance of PACE financing in the marketplace and protect against the risk of default and foreclosure," with a one-time appropriation of $10 million from the Renewable Resource Trust Fund.

During program development, CAEATFA staff considered various program designs, including an insurance product whereby in the event of a foreclosure or tax sale of the property, the PACE lien would be extinguished; however, the insurance portfolio design was not cost effective and did not limit payout to the actual direct losses to first mortgage lenders. Because PACE financings do not accelerate upon default, only outstanding PACE payments would be put before a first mortgage lender. Therefore, through the emergency rulemaking process, CAEATFA established a loss reserve program which seeks to put first mortgage lenders in the same position they would have been in without a first-priority PACE lien.

The proposed emergency regulations establishing the PACE Loss Reserve Program (the "Program") were originally approved by the Office of Administrative Law and became effective on March 10, 2014, and the Certificate of Compliance was approved on April 6, 2015.

The full text of the Program's regulations can be found in Attachment B.

Types of Eligible Claims

The Program makes first mortgage lenders whole for direct losses incurred due to the existence of a PACE lien on a property during a foreclosure or forced sale. The loss reserve will reimburse the following losses as a result of an enrolled PACE assessment:

- PACE payments paid while a first mortgage lender is in possession of a foreclosed home.
- Any losses to the first mortgage lender up to the amount of outstanding PACE assessments in a forced sale for unpaid taxes or special assessments.

In no instance shall the loss exceed the amount of the PACE assessment, or in the case of forced sale for unpaid taxes or special assessments, the amount of the delinquent PACE assessments.

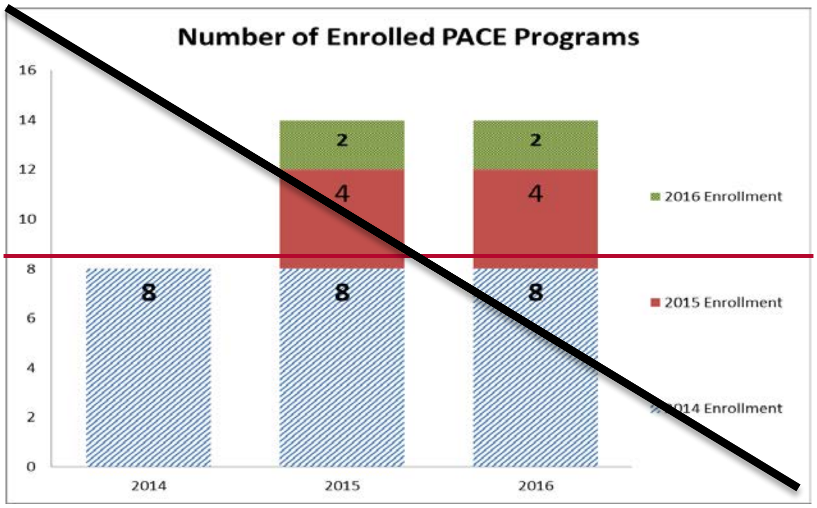
The loss reserve currently supports financings dating back to 2009, but to date, CAEATFA has not received a claim against the reserve.

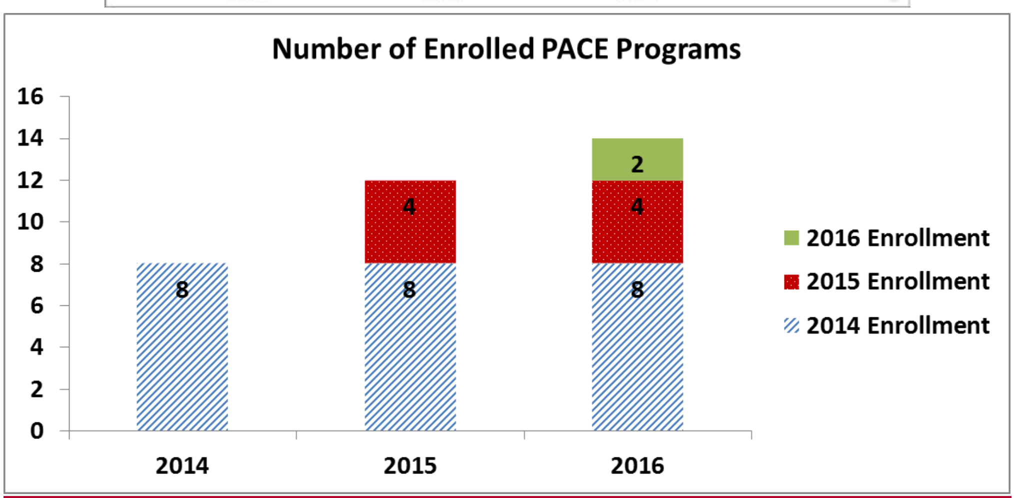
Program Enrollment and Activity

PACE administrators voluntarily apply to participate in the Program by providing program information and PACE program formation documents and handbooks that demonstrate the PACE program meets the Program's underwriting criteria as established in statute and regulations. Once enrolled, all residential PACE assessments originated by the PACE program and reported to CAEATFA are covered by the loss reserve.[1]

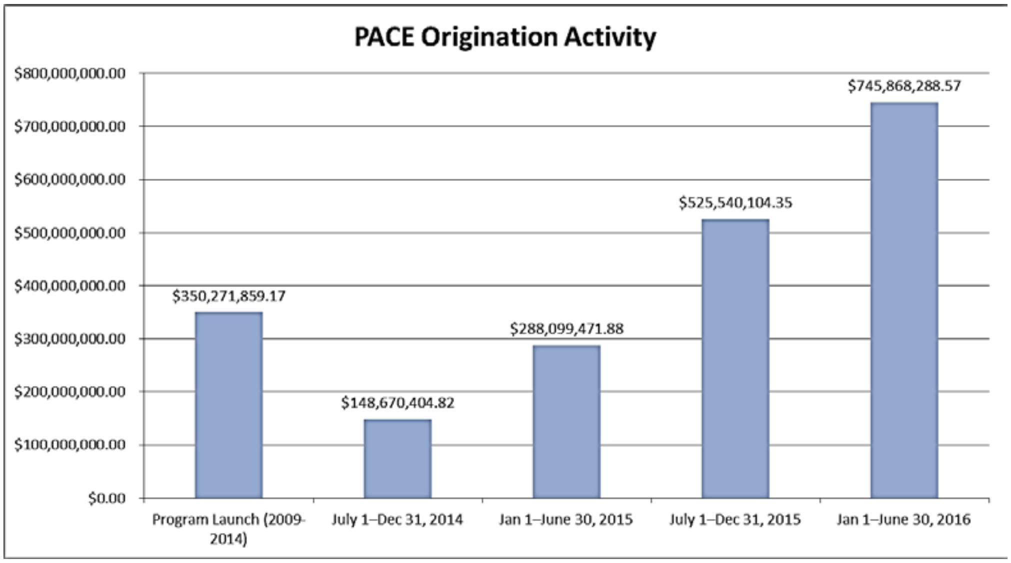
[1] Program regulations also allowed PACE administrators that enrolled during the Program's initial launch in June 2014 to have their entire existing residential portfolios covered by the loss reserve.

In anticipation of the Program's launch, many residential PACE administrators restarted their programs, and in June 2014, CAEATFA initially enrolled 8 PACE administrators with a combined existing residential PACE portfolio of 17,401 financings with a value of over $350 million, representing all outstanding residential PACE financings issued by the enrolled administrators since 2009.





To date, the Program has enrolled 14 PACE administrators with an outstanding portfolio of 81,707 residential PACE financings with a value of over $1.8 billion. A chart of all participating PACE programs and financing enrollment activity can be found in Attachment C. A chart breaking down the fees and costs for a $10,000 PACE financing, as provided by enrolled PACE programs, can be found in Attachment D.



Once a year PACE programs report the estimated environmental savings from enrolled financings, to the extent available, and the PACE program's selected methodology for making the estimates. The table below details the estimated environmental savings from financings originated through June 30, 2016, as reported by enrolled PACE programs.

Program Name	Estimated Environmental Savings from Enrolled Financings
mPOWER Placer	429,378 KWh annually
	79.4 MTCO2 annually
mPOWER Folsom	16,534,408 KWh annually
	3,058.9 MTCO2 annually
Berkeley FIRST	54,408 kWh annually
Sonoma County Energy Independence Program	10,928,827 kWh over lifetime
	58,964.85 MTCO2 over lifetime
	94,593 Therms over lifetime
CaliforniaFIRST	18,933,880 kWh generated annually
	7,894,463 kWh saved annually
	575,332 Therms annually
	11,425,764 gal annually
WRCOG HERO Program	120,925,639 kWh annually
	24,555,058 gal annually
SANBAG HERO Program	60,882,289 kWh annually
	13,456,125 gal annually
California HERO Program	89,361,397 kWh annually
	45,173,529 gal annually
AllianceNRG Program	23,126 kWh annually
LA HERO Program	6,102,724 kWh annually
	8,608,965 gal annually
CaliforniaFIRST in Los Angeles County	4,458,851 kWh generated annually
	2,241,737 saved annually
	163,373 Therms annually
	5,108,368 gal annually
Ygrene Works Program	10.5 MW generated over lifetime
	1.1 Billion kWh saved over lifetime
	202K MTCO2 saved over lifetime
	758M gal over lifetime
PACEfunding	59,003 kWh annually

Next Steps for the PACE Loss Reserve Program

Regulations Increasing Data Collection and Strengthening Program Underwriting

To address lessons learned from early implementation of the Program, and recognizing current policy needs, in the coming months CAEATFA staff will be undergoing a public process to amend the Program's regulations in the following areas:

- Currently, the Program receives reports semi-annually from each participating PACE administrator. For each PACE financing originated during the reporting period, administrators provide the Assessor's Parcel Number ("APN"), original principal amount, annual assessment amount, and origination and maturity dates. Once a year PACE administrators also provide estimated environmental savings from the enrolled portfolio, to the extent that information is available.

  In consultation with the California Energy Commission and other stakeholders, staff is developing new data points to collect about each enrolled PACE financing and additional information about the PACE program's activity. Staff is also considering increasing the frequency of reporting origination activity from semi-annually to quarterly.

- As the residential PACE market has matured since the Program's launch in 2014, there have been updates to the best practices for underwriting residential PACE. Therefore, in the upcoming regulatory process, staff will include revisions to the Program's minimum underwriting requirements to better reflect current best practices.

Staff anticipates completing the emergency rulemaking process in Q2 2017.

Audit of enrolled programs

CAEATFA staff is currently in the process of drafting a Request for Proposals to hire a contractor to develop and implement an audit of the participating PACE programs. The contractor will draft an audit plan for evaluating the participating PACE programs' compliance with the Program's eligibility requirements, and will implement the audit plan by conducting on-site visits and preparing reports on the findings of each audit. Staff intends these audits to become a routine practice for the PACE Loss Reserve Program.

RECENT PACE POLICY ACTIVITY

AB 2693 – Statutory Consumer Protection Requirements

On September 25, 2016, Governor Brown signed into law AB 2693 (Dababneh, Ch. 618, Statutes of 2016), known as the PACE Preservation and Consumer Protections Act, which will become effective January 1, 2017. AB 2693 establishes new statutory consumer protection requirements including a financing estimate disclosure document and a 3-day right to cancel. Required disclosures include:

- "[T]he 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."
- Financing costs: application fees and costs, prepaid interest, other costs (appraisal fees, bond related costs, annual administrative fee, estimated closing cost, credit reporting fees, recording fees), total amount financed
- APR, simple interest, total annual principal, interest, and administrative fees
- Total financing costs and closing costs and estimated out-of-pocket closing costs
- Whether there is a prepayment fee and amount
- Over the term of the financing: total principal paid, total interest paid, total financing and other costs paid, total paid
- Total interest paid as a percentage of all the payments made
- "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."
- "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."
- "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."
- "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."

AB 2693 also requires properties meet the minimum underwriting criteria set out in CAEATFA's statute for the PACE Loss Reserve Program to be eligible to receive PACE financing.

PACE Industry Oversight

Policy makers at the state and national level are currently looking at options for potential regulation and oversight for residential PACE. Generally, states do not treat PACE as consumer credit transactions subject to traditional lending and disclosure laws and regulations. As mentioned above, in California, PACE is structured as a voluntary special tax or contractual assessment with a local government entity, and California's PACE enabling statute does not designate an entity specifically tasked with overseeing California PACE programs. Although CAEATFA may impose specific eligibility criteria under the PACE Loss Reserve Program, limited by the Program's authorizing statute, the Program is voluntary and intended to support and encourage the residential PACE market.

Industry and policy groups have taken steps to strengthen consumer protections and oversight by exploring self-regulation and developing best practices. Several California PACE administrators adopted consumer protection policies to which their programs must adhere, and PACENation, a national PACE advocacy group, also published a residential PACE consumer protection policy in May 2016. Additionally, the Department of Energy ("DOE") announced it will be convening with states to review options for residential PACE oversight by states, industry, and DOE.

Different Messages from the Federal Government

In President Obama's Clean Energy Savings for All Americans initiative, access to PACE financing was singled out as key component of the initiative. Specifically, as part of the initiative, HUD and Department of Veterans Affairs released guidance as to how properties with residential PACE assessments can be purchased and refinanced with FHA mortgage insurance and VA-insured mortgages. A few of the key requirements include: (1) under the laws of the state where the property is located, the PACE obligation is collected and secured by the creditor in the same manner as a special assessment against the property; (2) only the delinquent regularly scheduled PACE assessment payments may take first lien position ahead of the mortgage; and (3) the assessment transfers from on property owner to the next, including through a foreclosure sale.

Additionally, DOE released for public comment an update to its May 2010 *Best Practices Guidelines for Residential PACE Financing Programs*. The DOE issued the final report on November 18, 2016, after receiving stakeholder input. Guideline topics include:

- Define the PACE Program Scope and Eligible Improvements
- Establish Eligibility Criteria
- Establish Consumer and Lender Protections
- Public Recording and Disclosure of PACE Assessments
- Incentives and Direct Assistance

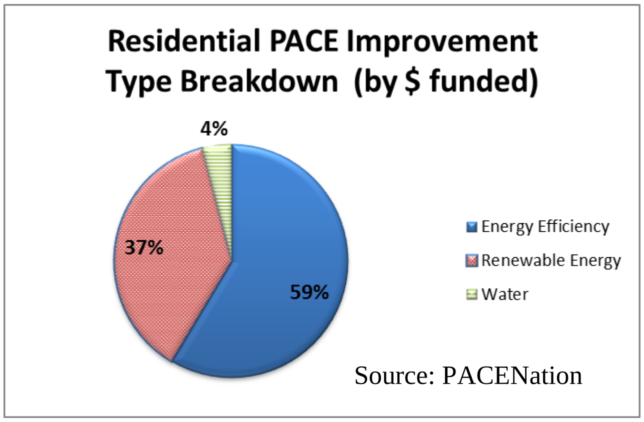
- Property Appraisals and Real Estate Transactions
- Program execution and compliance with applicable laws
- Quality assurance and anti-fraud measures
- Debt Service Reserve and Loan Loss Reserve Funds
- Data Collection and Evaluation

Although HUD and Department of Veterans Affairs will accept PACE liens, FHFA has publicly maintained its position against first-priority PACE liens.

PACE Across the Country

PACE is authorized at the state or local level, and the structure of PACE may vary from state to state. As mentioned above, in California, PACE programs are created and overseen at the local level; there is no state-sponsored PACE program. Other states, such as Connecticut, chose a more centralized approach, creating one state PACE program that local governments may join.

Nationally, there have been 132,000 residential PACE projects totaling $3.3 billion, and 820 commercial PACE projects totaling $311 million, according to data reported to PACENation. In part because of FHFA's continued position against first-priority PACE liens, currently only California, Florida, and Missouri have active residential PACE programs. Although other states have passed residential PACE enabling laws, many states authorized commercial PACE only. Oklahoma, New Hampshire, and Vermont chose to statutorily subordinate all PACE liens,[2] and Nebraska and Rhode Island chose to statutorially subordinate residential PACE liens. The most PACE origination activity in the country has occurred in California. To help spur PACE growth nationally, groups such as PACENation and DOE will provide technical assistance to states and local governments seeking to pass PACE legislation or get PACE programs up and running.



[2] Oklahaoma and New Hampsire authorized both commercial and residential PACE financing, and Vermont authorized only residential PACE financing.

Attachments:

- Attachment A – California PACE Timeline
- Attachment B – PACE Loss Reserve Program Regulations
- Attachment C – PACE Loss Reserve Program Enrollment Activity
- Attachment D – Sample Costs and Fees for $10,000 PACE Financing

Attachment A

California PACE Timeline

2008

- AB 811 amends the Improvement Act of 1911 to allow local agencies to establish PACE programs.

2009

- First PACE financings are issued in California in the City of Berkeley
- FHFA issues letter voicing concerns over first-priority lien status of PACE financing

2010

- SB 77 (Pavley) directs CAEATFA to establish a PACE bond reserve program
- FHFA issues directive banning purchases of mortgages on properties with PACE liens and advising protective actions, including redlining PACE districts
- State of CA and other parties sue FHFA, arguing directive was a "rule" under APA and needed to be adopted through formal rulemaking. District court orders FHFA to begin rulemaking process.

2011

- SB 555 (Hancock) amends the Mello-Roos Community Facilities Act of 1982 to allow the creation of a community facilities district to finance PACE

2013

- 9th Cir. Court of Appeals holds FHFA's directive was a lawful exercise of its authority as conservator of Enterprises, that is not subject to judicial review
- SB 96 (Budget Act of 2013) directs CAEATFA to establish a "PACE risk mitigation program"

2014

- CAEATFA launches PACE Loss Reserve Program
- AB 2597 (Ting) amends PACE Loss Reserve Program underwriting to increase max financing amount allowed and clarify PACE financing is not a loan.

2016

- White House singles out PACE as a tool in President's Clean Energy Savings for All Americans Initiative
- FHA & VA issue guidance as to when they will insure mortgages with residential PACE liens
- AB 2693 (Dababneh) establishes statutory disclosure requirement, 3-day right to cancel, and min. underwriting criteria
- FHFA maintains its position against first-lien PACE

Attachment B

PACE Loss Reserve Program Regulations

CALIFORNIA CODE OF REGULATIONS
Title 4. Business Regulations
Division 13. California Alternative Energy and Advanced Transportation Financing Authority
ARTICLE 4. PACE LOSS RESERVE PROGRAM

§10080. Definitions.

(a) "Authority" means the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) established pursuant to Division 16 (commencing with Section 26000) of the Public Resources Code.

(b) "Executive Director" means the Executive Director of the Authority or his or her designee.

(c) "Financing" means a contractual assessment or special tax levied by a PACE program.

(d) "PACE Program" means a residential property assessed clean energy program financing the installation of distributed generation renewable energy sources, electric vehicle charging infrastructure, or energy or water efficiency improvements and established pursuant to:

(1) Chapter 29 (commencing with Section 5898.10) of Part 3 of Division 7 of the Streets and Highways Code; or,
(2) Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the Government Code; or,
(3) A charter city's constitutional authority under Section 5 of Article XI of the California Constitution.

(e) "Program" means the PACE Loss Reserve Program established pursuant to Chapter 4 (commencing with Section 26050) of Division 16 of the Public Resources Code.

Authority: Section 26009, Public Resources Code.
Reference: Sections 26050, 26050.5, 26052, 26055 and 26060, Public Resources Code.

§10081. Application by PACE Program to the PACE Loss Reserve.

A PACE Program seeking to participate in the PACE Loss Reserve Program shall complete an application that shall include the following information:

(a) The formation documents required pursuant to:
(1) Streets and Highways Code Sections 5898.20 – 5898.22, and 5898.24; or,
(2) Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the Government Code; or,

(3) In the case of a charter city, a copy of a resolution or other document adopted by the city's governing board evidencing approval of the PACE Program.

(b) If not included in the documentation required in subdivision (a) above, documents showing that the PACE Program requires that property owners can show all of the following as part of the financing underwriting process:

(1) All property taxes for the assessed property are current for the previous three years or since the current owner acquired the property, whichever period is shorter.
(2) The property is not subject to any involuntary lien in excess of $1,000.
(3) The property is not subject to any notices of default.
(4) The property owner is not in bankruptcy proceedings.
(5) The property owner is current on all mortgage debt.
(6) The party seeking financing is the holder of record on the property.
(7) The property is within the geographical boundaries of the PACE Program.
(8) The Financing is for a residential property of three units or fewer.
(9) The Financing is for less than fifteen percent (15%) of the value of the property, up to the first seven hundred thousand dollars ($700,000) of the value of the property, and is for less than ten percent (10%) of the remaining value of the property above seven hundred thousand dollars ($700,000).
(10) The total mortgage-related debt and PACE Financing on the underlying property does not exceed the value of the property.

(c) If not included in the documentation required in subdivision (a) above, a detailed description of:

(1) The transactional activities associated with the Financing issuance, including all transactional costs; and,
(2) Requirements for quality assurance and consumer protection, as related to achieving efficiency and clean energy production; and,
(3) Any credit enhancement or insurance associated with the PACE Program.

(d) A summary of the PACE Program's existing residential Financing portfolio certified pursuant to Section 10087 as of the date of application. The summary shall include the following information:

(1) The total number of Financings in the portfolio.
(2) The total value of the portfolio.

(e) The PACE Program's agreement to permit an audit of any of its records relating to enrolled Financings, during normal business hours on its premises, by the Authority or its agents, and to supply such other information concerning enrolled Financings as shall be requested by the Executive Director.

(f) Upon receipt of a completed application, the Executive Director will within ten business days review and determine whether the application is complete, or whether additional information is required to enroll the PACE Program. The Executive Director's decision whether an application is complete shall be final.

Authority: Section 26009, Public Resources Code.
Reference: Sections 26050, 26050.5, 26052, 26055, 26061, 26062 and 26063, Public Resources Code.

§10082. Coverage of PACE Financing Portfolios.

(a) For PACE Programs created before March 10, 2014 and making application pursuant to Section 10081 on or before June 9, 2014, all PACE Financings outstanding at the time of enrollment shall be covered by the loss reserve pool for the length of their term. In addition PACE Financings originated after enrollment and included in reports as provided in Section 10085 shall be covered by the loss reserve pool for the length of their term.

(b) For PACE Programs created on or after March 10, 2014, all PACE Financings originated not more than 30 calendar days before the date of the PACE Program enrollment pursuant to Section 10081 shall be covered by the loss reserve pool for the length of their term. In addition PACE Financings originated after enrollment and included in reports as provided in Section 10085 shall be covered by the loss reserve pool for the length of their term.

Authority: Section 26009, Public Resources Code.
Reference: Sections 26050, 26050.5, 26052, 26055 and 26060, Public Resources Code.

§10083. Claims Against the Loss Reserve Pool.

Any PACE Program may make claim for payment from the loss reserve pool for the following losses incurred by first mortgage lenders and limited to losses on the Financings described in Section 10082 directly attributable to the existence of a PACE Program lien on a specified property. Losses include:

(a) Losses resulting from the first mortgage lender's payment of any PACE assessment paid while in possession of the property subject to the PACE assessment. Losses may also include penalties and interest where they have accrued through no fault of the first mortgage lender.

(b) In any forced sale for unpaid taxes or special assessments, losses incurred by the first mortgage lender resulting from PACE assessments being paid before the outstanding balance.

In no instance shall the loss exceed the amount of the PACE assessment, or in the case of forced sale for unpaid taxes or special assessments, the amount of the delinquent PACE assessments.

Authority: Section 26009, Public Resources Code.

Reference: Sections 26050, 26050.5, 26052, 26055 and 26060, Public Resources Code.

§10084. Claims Procedure.

(a) Any PACE Program seeking to make a claim against the loss reserve pool for losses as described in Section 10083 shall submit satisfactory evidence of the eligible loss, including but not limited to the assessor's parcel number, the loss amount, the origination date, the first mortgage lender, the date of the loss or losses, and the certification described in Section 10087. The Authority shall make payments to PACE Programs within 20 calendar days of receipt of a completed claim.

(b) In the event of an eligible claim on a Financing where the PACE Program has been terminated pursuant to Section 10086, the Authority may seek additional evidence of the eligible loss from the first mortgage lender.

Authority: Section 26009, Public Resources Code.
Reference: Sections 26050, 26050.5, 26052, 26055 and 26060, Public Resources Code.

§10085. PACE Program Reporting and Administrative Fee.

(a) Each enrolled PACE Program shall report to the Authority twice each calendar year. These reports shall be certified pursuant to Section 10087.
   (1) On March 1st of each year, each enrolled PACE Program shall submit the following for the period from July 1 through December 31:
      i. The assessor's parcel number, principal amount, annual assessment amount and term of each new Financing originated in the reporting period.
      ii. The total number and value of new Financings originated in the reporting period.
      iii. Payment of the administrative fee set forth in paragraph (b) of this section.
   (2) On October 1st of each year, each enrolled PACE program shall submit the following for the period from January 1 through June 30:
      i. The information and payment outlined in subdivision (a)(1) above.
      ii. The total number of outstanding Financings.
      iii. The total value of the Financing portfolio.
      iv. Information on energy and water savings resulting from the projects funded by the covered portfolio of Financings.

(b) The Authority shall assess an administrative fee of 0.0000 (0%) of the principal value of each Financing issued by a Participating PACE Program during the period covered by the report. In May of 2016, and every year thereafter, the Authority shall review the fee. In addition, the Authority may review the fee at any time upon a vote of a majority of the Authority.

(c) In the event that a report and payment is not received within 60 calendar days of the due date as set forth in this section, the Authority may terminate the PACE Program's enrollment, pursuant to Section 10086(b).

Authority: Section 26009, Public Resources Code.
Reference: Sections 26011, 26050, 26050.5, 26052, 26055, 26060 and 26081, Public Resources Code.

§10086. Termination and Withdrawal from the Program.

(a) Each enrolled PACE Program may withdraw from the Program after giving written notice to the Authority. The notice shall specify either:
   (1) That the enrolled PACE Program waives any further interest in the loss reserve pool (including for the reason that all Financings covered by the loss reserve pool have been repaid); or,
   (2) That the enrolled PACE Program will not enroll any further Financings under the Program but shall continue to count on the loss reserve pool to secure all Financings reported prior to the notice.

(b) The Executive Director may terminate participation of an enrolled PACE Program in the Program, by notice in writing, upon the occurrence of any of the following:
   (1) Entry of a cease and desist order, regulatory sanction, or any other action against the PACE Program that may impair its ability to participate in the Program; or
   (2) Failure of the enrolled PACE Program to abide by any applicable law, including these regulations; or
   (3) Failure of the enrolled PACE Program to report any Financings under the Program for a period of one year; or
   (4) Provision of false or misleading information regarding the enrolled PACE Program to the Authority, or failure to provide the Authority with notice of material changes in submitted information regarding the enrolled PACE Program.

In the event of termination, the enrolled PACE Program shall not be authorized to have any further Financings covered by the loss reserve pool, but all previously enrolled Financings shall continue to be covered by the loss reserve pool until they are paid, claims are filed, or the enrolled PACE Program withdraws from the Program pursuant to this section.

Authority: Section 26009, Public Resources Code.
Reference: Sections 26050, 26050.5, 26052, 26055 and 26060, Public Resources Code.

§10087. Certification of Reports and Claims.

(a) All applications, reports and claims submitted by a PACE Program must be signed by the PACE Program administrator certifying that they are accurate and true.

(b) If an application, report or claim is submitted by a third-party program administrator on behalf of a PACE Program, an appropriate public official must provide the Authority with a signed letter certifying that the PACE Program has the ability to audit the records of the third-party administrator, including all information included in the applications, reports and claims submitted to the Authority.

Authority: Section 26009, Public Resources Code.
Reference: Sections 26050, 26050.5, 26052, 26055 and 26060, Public Resources Code.

Attachment C

PACE Loss Reserve Program Enrollment Activity

Enrolled PACE Programs

Program Name	Local Agency	Program Administrator	Areas Served (Counties)	Date Enrolled
mPOWER Placer	County of Placer	County of Placer (Treasurer-Tax Collector)	Placer County	June 18, 2014
mPOWER Folsom	County of Placer	County of Placer (Treasurer-Tax Collector)	City of Folsom	June 18, 2014
Berkeley Financing Initiative for Renewable and Solar Technology (FIRST)	City of Berkeley	Renew Financial	City of Berkeley	June 20, 2014
Sonoma County Energy Independence Program (SCEIP)	County of Sonoma	County of Sonoma (Auditor-Controller Treasurer-Tax Collector)	Sonoma County	June 26, 2014
CaliforniaFIRST	California Statewide Communities Development Authority (CSCDA)	Renew Financial	State of California	June 19, 2014
Western Riverside Council of Governments (WRCOG) Home Energy Renovation Opportunity (HERO) Program	WRCOG	WRCOG and Renovate America	Western Riverside County	June 23, 2014
San Bernardino Associated Governments (SANBAG) HERO Program	SANBAG	SANBAG and Renovate America	San Bernardino County	June 23, 2014
California HERO Program	WRCOG	WRCOG and Renovate America	State of California	June 23, 2014

AllianceNRG Program	CSCDA	CounterPointe Energy Solutions	State of California	August 20, 2015
LA HERO Program	County of Los Angeles	County of Los Angeles and Renovate America	Los Angeles County	October 7, 2015
CaliforniaFIRST in Los Angeles County	County of Los Angeles	County of Los Angeles and Renew Financial	Los Angeles County	October 14, 2015
Ygrene Works Program	Golden State Finance Authority (GSFA)	Ygrene Energy Fund CA, LLC	State of California	October 19, 2015
PACEfunding	CSCDA	PACE Funding Group	State of California	January 22, 2016
California Municipal Finance Authority (CMFA) PACE	CMFA	Energy Efficient Equity (E3)	State of California	August 31, 2016

Financing Enrollment Activity

Year	Program	Outstanding Portfolio Through June 30th		New Financings Through Dec 31s		Cumulative Enrolled Portfolio Through December 31st	
	mPOWER Placer	464	$10,502,382.62	312	$9,540,534.04	776	$20,042,916.66
	mPOWER Folsom	3	$54,181.18	4	$86,847.90	7	$141,029.08
	Berkeley FIRST	13	$299,233.74	-	$0.00	13	$299,233.74
	CaliforniaFIRST	-	$0.00	151	$3,435,462.04	151	$3,435,462.04
2014	Sonoma County	1,550	$43,702,974.25	65	$1,524,472.34	1,615	$45,227,446.59
	WRCOG HERO	9,911	$189,339,784.00	1,757	$34,971,957.65	11,668	$224,311,741.65
	SANBAG HERO	4,286	$80,398,364.90	1,763	$32,056,560.00	6,049	$112,454,924.90
	California HERO	1,174	$25,974,938.48	2,970	$67,054,570.85	4,144	$93,029,509.33
	Total:	**17,401**	**$350,271,859.17**	**7,022**	**$148,670,404.82**	**24,423**	**$498,942,263.99**
	mPOWER Placer	878	$44,537,362.74	361	$10,422,668.14	1,239	$54,960,030.88
	mPOWER Folsom	19	$858,358.59	10	$229,578.67	29	$1,087,937.26
	Berkeley FIRST	12	$272,231.98	-	$0.00	12	$272,231.98
	CaliforniaFIRST	1,195	$27,195,540.14	2,231	$55,875,048.47	3,426	$83,070,588.61
	Sonoma County	1,475	$41,157,542.98	46	$1,288,617.74	1,521	$42,446,160.72
	WRCOG HERO	12,795	$252,378,022.05	2,361	$53,783,476.55	15,156	$306,161,498.60
2015	SANBAG HERO	7,602	$143,822,030.98	2,550	$54,760,955.71	10,152	$198,582,986.69
	California HERO	10,326	$240,306,305.35	8,032	$191,433,540.91	18,358	$431,739,846.26
	AllianceNRG	0	$0.00	1	$25,474.99	1	$25,474.99
	CaliforniaFIRST (LA)	0	$0.00	282	$8,663,915.65	282	$8,663,915.65
	LA HERO	0	$0.00	5,050	$126,779,290.63	5,050	$126,779,290.63
	Ygrene	0	$0.00	911	$22,277,536.89	911	$22,277,536.89
	Total:	**34,302**	**$750,527,394.81**	**21,835**	**$525,540,104.35**	**56,137**	**$1,276,067,499.16**
	mPOWER Placer	1,493	$44,558,408.98				
	mPOWER Folsom	54	$732,306.69				
	Berkeley FIRST	11	$246,745.00				
	CaliforniaFIRST	6,957	$169,216,761.62				
	Sonoma County	1,378	$38,507,299.21				
	WRCOG HERO	15,624	$320,840,795.46				
	SANBAG HERO	11,518	$227,139,077.08				
2016	California HERO	25,306	$574,336,722.18				
	AllianceNRG	3	$121,435.40				
	CaliforniaFIRST (LA)	1,451	$43,224,206.38				
	LA HERO	10,032	$252,287,718.07				
	Ygrene	7,852	$190,829,604.99				
	PACEFunding	9	$251,239.75				
	CMFA PACE	19	$996,856.47				
	Total:	**81,707**	**$1,863,289,177.28**				

Attachment D

Sample Costs and Fees for $10,000 PACE Financing

Program	CaliforniaFIRST LA	CaliforniaFIRST	HERO	AllianceNRG	Ygrene	CMFA	Sonoma County	mPOWER Placer	mPOWER Folsom
Cost of Improvements	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
Term	15-yr	15-yr	15-yr	15-yr	15-yr	15-yr	20-yr*	15-yr	15-yr
Simple Interest	7.99%	7.99%	8.15%	8.00%	8.00%	7.98%	7%	6.00%	6.00%
APR	8.96%	9.29%	9.40%	8.96%	9.13%	10.79%	7.704%	8.064%	8.051%
Application/Adminsitrative Fees	$637.50	$640	$579.08	$991.38	$764.00	$695	$0	$640	$640
Reserve Fund Deposit	$11.66	$34.19	~~~	$0	$0	$27	$0	$0	$0
Interest Before First Payment	$921.32	$899.34	$945.80	$955.77	$776.19	$861.21	$593.26	$685.38	$684.81
Recording Fee	$90	$104	$55	(included in Admin Fee)	$200	$95	$66	$66	$57
Title Search Fee	$0	$0	$0	$0	$214	$0	$125	$0	$0
Appraisal Fee	$0	$0	$0	$0	$0	$0	$12	$0	$0
Est. Annual Admin. Fee (to put on tax roll)	$18	$33	$25	(included in Admin Fee)	$62	(included in "recording fee")	$46.46	$25	$25
Total Amount Financed	$11,660.48	$11,677.53	$11,604.88	$11,947.15	$11,675.00	$11,773.21	$10,639.72	$11,391.39	$11,381.81
Estimated Annual Payment	$1,361.46	$1,396.45	$1,393.24	$1,455.78	$1,445.00	$1,455.04	$996.45	$1,197.89	$1,196.90
Estimated Total Interest Paid Over Term	$9,682.66	$9,673.54	$8,918.72	$8,989.55	$9,681.00	~~~	$11,010.23	$6,201.94	$6,196.73
Total Interest Paid (as % of all payments)	~~~	~~~	42.67%	42.90%	44.66%	42.29%	52.40%	54.44%	54.44%
Total Paid Over Term	$20,691.82	$20,946.73	$20,898.60	$20,936.70	$21,675.00	$20,400.59	$21,010.23	$17,968.32	$17,953.53

* Sonoma County offers only 10 and 20 year terms.