

Customer Assurance and Protections



Customer Assurance & Protections

Overview

Ygrene Energy Fund offers financing that helps consumers make energy efficiency, water conservation and renewable energy improvements to their homes and businesses. Our commitment to providing safe, flexible financing begins with the application and continues until the project has been completed, inspected and approved.

This brochure provides an overview of our customer protections and assurances, intended to ensure that participants in the YgreneWorks™ property assessed clean energy (PACE) program:

- Have confidence in the contractors who install PACE-eligible improvements
- Understand the terms of their PACE financing agreement
- Implement projects in compliance with local requirements
- Install energy efficiency, water conservation and renewable energy improvements that are eligible under the Program
- Know that their sensitive information is protected
- Are fully informed of their rights within the Program, including mechanisms for resolving grievances

Contractor Certification

Consistent with Program guidelines, Ygrene trains, tests and certifies contractors before acceptance into the Program. We regularly conduct reviews of procedures and guidelines, in order to maintain the strongest possible network of Ygrene Certified building and trade professionals in your community.

Screening

Before accepting a contractor into the Program, Ygrene conducts a thorough review of current and historical information about the contractor's company. We review the contractor's status with the Contractors State License Board (CSLB) and verify licensure, bonding and workers' compensation insurance coverage as well as any record of consumer complaints. Open complaints may prevent the contractor from being certified into, or cause disqualification from, the Program.

Training

Contractors must complete Ygrene Certified Contractor training to become eligible to participate in the Program. The training is intended to ensure contractors and their affiliates accurately support and represent the Program to property owners. The curriculum covers our contractor code of conduct and customer protection measures.

To protect customers from the potential for unfair, deceptive, abusive or misleading marketing practices, we provide contractors with guidelines for clear and truthful advertising. We do not share sensitive customer data with Ygrene Certified Contractors for use in telemarketing or other direct sales. Ygrene never pays contractors for referrals to the Program; they receive payment from us only for the implementation of approved projects once property owner acceptance is received.

Reviews

Ygrene Certified Contractors agree to regular review of their operations and business practices. Ygrene conducts annual reviews to confirm that each contractor is in good standing with the licensing board, and that workers' compensation policies remain in force. Contractors may be dismissed from the Program at any time for failure to comply with Program rules.

Lending Practices

Eligibility

PACE program financing is based upon a property's fair market value and homeowner equity. Therefore we can apply underwriting criteria that are more inclusive than traditional lending criteria for home improvement projects. Your payment appears as a line item on your property tax bill.

Key Disclosures

Ygrene provides disclosures to property owners for key Program features, including but not limited to, financing terms, repayment process, tax benefits and risks, and requires acknowledgement that you have read them. We disclose all costs and ensure that there are no hidden fees. Additionally, upon approval of every application, we provide notification of a special tax lien to all lenders of record on your behalf.

Ygrene expressly prohibits contractors, as well as our own employees, from providing tax advice. We encourage you to consult a tax advisor about your specific tax situation.

Right to Cancel

You may cancel your financing agreement for any reason by giving written notice of cancellation within three business days after signing the contract.

Projects & Permits

Projects

We maintain a list of eligible improvements for use in your geographic area. Before approving an application for financing, we review your contractor's estimate and determine that the proposed installation meets acceptable guidelines for energy efficiency, renewable energy, water conservation or seismic protection.

Permits

Contractors are responsible for obtaining all required permits for all projects and must submit verification upon request.

Program Quality Assurance

For quality assurance, we conduct monthly reviews of a randomized sampling of funded projects. During these reviews, we revalidate the accuracy and integrity of system, contract, contractor, underwriting, financing, processes and data. The quality assurance process was designed to identify and address potential risks to our customers and our business.

Privacy & Data Security

Privacy

Ygrene has established protections and controls to prevent unauthorized copying, disclosure or other misuse of sensitive customer information. We inform and enforce compliance with the Program's data privacy and security policies on the part of every employee, contractor or service provider with access to homeowners' personal identifiable information.

Data Security

We have developed robust cyber-security standards as well as secure and tested processes that protect homeowners' personal identifiable information, especially during the application process.

Dispute Resolution

Ygrene staff are trained to receive, manage, track and proactively resolve inquiries and complaints as quickly as possible. Representatives may be reached by phone, email or fax during normal business hours (PST):

Mon - Fri: 8am - 9pm

Saturday: 9am - 5pm

Sunday: 10am - 4pm

Property Owner Approvals & Payment Protection

We always require property owner authorization before any payments are made to contractors.

Phased payment schedules are available for large or complex projects and those involving multiple contractors. In those cases, we ask for a complete scope of work for each phase, and may require an inspection by a third party, to ensure that it has been completed to the property owner's satisfaction before issuing payment.

At the end of the project (or project phase), the property owner acknowledges completion, acceptance of the financing, and authorizes Ygrene to pay the contractor. We conduct a final review to verify that all contracts and authorizations are in order. Only then are payments made to the contractor.

Conclusion

The Ygrene PACE program partners with city and county governments to expand the opportunities for property owners to finance improvements that save energy, water or generate renewable energy.

Our Consumer Protection Policy assures that we provide safe, easy and flexible means for people to affordably make improvements to homes and businesses, reduce CO₂ emissions and protect our planet for future generations.

For More Information

Contact us at protect@ygrene.us or call **707.236.6655**.



energy efficiency financing made easy



YgreneWorks.com | 707.236.6655

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Golden State Finance Authority (GSFA) /

Ygrene Works

PACE Consumer Protection Policies

Residential Property Assessed Clean Energy Program

Updated: May 27, 2016

OVERVIEW

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

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

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

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

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

1. RISK

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

1.1. Properties Consistent with foundational considerations, it is the policy of the Program to make the Program available to the entirety of the existing residential housing stock within the municipal boundaries of the Program. If requested in good faith by the homeowner applying for the Program, the rejecting Partner must complete an 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 The encumbrance profile of Properties is an important element of the decision process for Program participation. The Program is designed to harness unused financing capacity of homes in which eligible improvements are installed. Such financing is inappropriate if it burdens Properties too greatly. Accordingly, Properties eligible for Program financing will have the following attributes:

- 1.2.1. All mortgage debt on the Property may not exceed 90% of the Property’s fair market value (“FMV”), or assessed value if market value data is unavailable or unreliable, at the time of initial approval;
- 1.2.2. Reliability of the Program FMV model should be derived from generally accepted third-party property valuation services and the Program Administrator shall make such services available to the Authority for review;
- 1.2.3. Financing may not exceed (i) fifteen percent (15%) of the FMV of the Property, up to the first seven hundred thousand dollars (\$700,000) of the Property’s FMV, and (ii) ten percent (10) of the remaining value of the property above seven hundred thousand dollars (\$700,000);
- 1.2.4. Total mortgage debt on the underlying Property plus Program financing may not exceed the FMV of the Property;
- 1.2.5. The total amount of annual property taxes and assessments shall not exceed five

percent (5%) of the Property's FMV; and

1.3. Eligible Improvements The Program provides financing for a broad range of eligible products and projects permanently affixed to the Property, the details of which are set forth in Section 12 below. The Program is not available to finance ineligible products and projects that are disallowed or excluded by individual state laws. While the Program is responsible for confirming compliance with the Section 12 requirements, it is not responsible for determining post-installation energy performance, savings or efficacy of such products or projects. The Program relies primarily on applicable state PACE laws, as well as U.S. Department of Energy, the EPA and other government agencies in determining what constitutes an eligible improvement.

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

1.4.1. The Applicants are the owners of record;

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

1.4.3. Homeowner(s) are current on all mortgage debt and have not had a Notice of Default (NOD) recorded on the property for the last 3 years;

1.4.4. Homeowner(s) cannot currently be in bankruptcy and must meet additional bankruptcy provisions as specified by the relevant state PACE law; and

1.4.5. No involuntary lien(s) are recorded against the Property in excess of \$1,000.

1.5. Exceptions From time to time, the Administrator or Partner will approve exceptions to these criteria, provided that the homeowner presents compelling justification and documentation of the unique compensating factors related to their application for financing, and provided that such exception is approved by the participating financial partner(s) and conforms to state law.

2. DISCLOSURES & DOCUMENTATION

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

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

2.2. Purchase Terms Terms that are fundamental to the Program and that need to be reflected in its documents comprise: (i) the amount financed, fees and capitalized interest included; (ii) the repayment process and schedule; (iii) the payment amounts; (iv) a term that does not exceed the useful life of the majority of the improvements; (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; (viii) the specific improvements to be installed; (ix) the 3-day right to cancel the financing; and (x) the right to withhold approval of payment until the project is complete. It is the responsibility of the Partner to prepare, deliver and arrange for execution of documents reflecting such terms.

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

The following comprise the key financing disclosures of the Program provided by Partners.

Disclosures	Description
Term of financing	The maximum time period of the financing
Amount financed	The total amount financed, including fees and capitalized interest
Annual payment amount	The amount due each year, even if paid in semi-annual installments or through impound payments
Improvements financed	The Measures installed
FHFA risks	The risk that the homeowner may need to pay off the PACE special tax or assessment at the time of sale or refinance
Right to cancel	The 3-day right to rescind the financing
Prepayment	The right to prepay the Program financing, with or without penalty, depending on terms selected by the homeowner

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

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

Additional Disclosures	Description
Foreclosure	The foreclosure process in the event of a homeowner default

2.4 Confirmation of Terms For all Program financing applications associated with contractors that are either new to the Program or are on some form of watch list, it is the policy of the Program that such Partners confirm live by telephone with the homeowner applicant each Program financing term listed in 2-7 of this Section 2.4 below. This requirement does not apply to contractors who have reached the Partner’s top rating category. For these contractors, it is the policy of the Program that they conduct randomized calls to homeowners to confirm financing terms.

Notwithstanding the above, irrespective of the contractor with whom the Program financing is associated, it is the policy of the Program that Partners confirm live by telephone with each applicant who is over 64 years old, or is a member of another special category of homeowners as designated by the Program financing terms listed in 1-7 of this Section 2.4 below. For homeowners over 64 years old, a voicemail message does not satisfy the requirement of Program financing term confirmation under this Section 2.4.

When confirming terms of a Program financing with a homeowner, Partners will:

- 2.4.1 Ask the homeowner to give a general description of the improvement(s) being financed under the Program. Ascertain that the homeowner understands the reason for the specific improvement(s) being made;
- 2.4.2 Ascertain that the homeowner understands his or her total estimated annual payment;
- 2.4.3 Ascertain that the homeowner understands the date his or her first tax payment will be due;
- 2.4.4 Ascertain that the homeowner understands the term of the Program financing;
- 2.4.5 Ascertain that the homeowner understands any additional fees (including recording fees) that will be charged to him or her;
- 2.4.6 Ascertain that the homeowner understands that payments for the Program financing will be added to his or her property tax bill and will cause the property tax bill to increase;
- 2.4.7 Ascertain that the homeowner understands that he or she may make payments on the Program financing either directly to the county assessor’s office or through his or her mortgage impound account.

3 FUNDING

Policy Summary: PACE is a new form of tax financing that, while sharing some features of

traditional debt financing, presents new considerations for financing capital sources and structures. Best practices counsel the Program to proactively solicit feedback from Program stakeholders and homeowners and incorporate lessons into policy improvements which benefit homeowners.

3.1 Interest Rates It is the policy of the Program that Partners offers payment arrangements that fully amortize the obligation over the term of the financing.

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

3.3 Subordination The Program is not required to but may offer the capability to accommodate homebuyers and homeowners by offering subordination of certain rights of its PACE assessment lien to the lien under a deed of trust. The subordination may provide the lien under a deed of trust with senior rights such that the lender will be induced to make a loan on a PACE-assessed property. The subordination option may be made available to homebuyers and homeowners in accordance with policy agreed upon by the Authority and the Partner.

3.4 Contractor Fees It is the policy of the Program that Partners can charge fees to contractors offering Program financing only if those Partners clearly and conspicuously disclose such fees to homeowners.

4 OPERATIONS

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

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

5 POST-FUNDING HOMEOWNER SUPPORT

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

- 5.1 Proactive Engagement** It is the policy of the Program to proactively monitor and test the consumer protections Partners deliver to homeowners, and periodically request feedback from homeowners and contractors to identify areas in need of improvement.
- 5.2 Onboarding** It is the policy of the Program that Partners develop and implement a post-installation onboarding procedure to reinforce key characteristics of the Program, such as those highlighted in the Program disclosures.
- 5.3 Payments** It is the policy of the Program that Partners have disclosures and resources in place to resolve homeowner questions regarding matters such as impound account catch-up payments, payment timing inquiries and payment amount reconciliation. It is also the policy of the Program that Partners implement procedures for responding in a timely and complete manner to requests for partial or full prepayment of their PACE property tax assessment.
- 5.4 Inquiries and Complaints** It is the policy of the Program that Partners receive, manage, track, timely resolve, and report all inquiries and complaints from homeowners. This policy contemplates development of a team with the skills necessary to perform inspections, meet with homeowners and contractors, investigate matters, and mediate disagreements between homeowners and contractors. The Partner must proactively work to resolve inquiries and complaints in a reasonable and timely manner and in accordance with the Program guidelines and must make communication for homeowners available during regular business hours by phone, email and facsimile communication.
- 5.5 Real Estate Transactions** It is the policy of the Program that Partners develop



capabilities to assist homeowners, and their associated real estate professionals, who are refinancing or selling their Properties.

6 DATA SECURITY

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

6.1 Information systems It is the policy of the Program that Partners develop and comply with secure and tested processes to protect the personal identifiable information of the homeowner described in Section 7 below. Such secure and tested processes should, at a minimum, comply with existing state and federal data security laws and good faith protocols.

6.2 Personnel

- 6.2.1 Partners are responsible for informing and enforcing the compliance with the Program's data privacy and security policies on the part of every employee, contractor, vendor, agent, service provider, representative, and associate who is exposed to personal identifiable information of homeowners.
- 6.2.2 Partners are responsible for implementing protections and controls to prevent unauthorized copying, disclosure, or other misuse of sensitive consumer information.

7 PRIVACY

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

The following summarizes the Program's privacy policy:

7.1 Privacy policy The Program obtains sensitive consumer information from homeowners as part of the application process for Program participation or through other homeowner touch points with the Program. It is the policy of the Program that Partners develop and deliver to homeowners who apply for the Program or who otherwise provide personal identifiable information a privacy policy that complies with state and federal law (e.g., the Graham Leach Bliley Act) and, in particular, prohibits sharing with third parties personal identifying information of homeowners without the homeowners' express authorization, except where expressly permitted by state and federal law. Such privacy policy will cover (i) the sources from which sensitive consumer information is obtained, (ii) the Partner's use of sensitive consumer information, and (iii) a mechanism by which a consumer may opt-out of sharing information. Partners will deliver to homeowners any updates to such privacy policies.

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

8 MARKETING & COMMUNICATIONS

Policy Summary: *Clear, informative, truthful, balanced, transparent and complete communications are essential for the Program. The stakeholders of any Program include (without limitation) homeowners, contractors, the Authority, government officials and staff, investors, finance partners, real estate professionals and lenders. Communications, acts and practices that mislead stakeholders add ineligible expense 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.*

- 8.1 Prohibited Practices** It is the policy of the Program to prohibit practices that are or could appear to be unfair, deceptive, abusive, and/or misleading, that violate laws or regulations, that provide tax advice, that are inappropriate, incomplete or are inconsistent with the Program’s purpose. Marketing practices that are likely to add unnecessary expense to a homeowner (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.
- 8.2 Permitted Practices** It is the policy of the Program to adhere to all legal and regulatory requirements (e.g., those governing telemarketing) pertaining to its advertising and marketing efforts. On the basis of providing clear and concise communication to consumers, any practice that promotes informed decision-making on the part of homeowners and is not prohibited as described in section 8.1 above is permitted. Partners are responsible for developing, delivering to and enforcing marketing guidelines for the Program’s Certified Contractors.
- 8.3 Tax Advice** It is the policy of the Program that no Partner, contractor or third party other than a tax expert may provide tax advice to consumers regarding their Program financing, including making affirmative statements or claims as to the tax deductibility of any portion of the payments. However, it is acceptable to state that “PACE financing may have certain tax benefits. Consult your tax advisor to find out what, if any, may apply to your individual circumstances.” Homeowners are encouraged to seek the advice of an expert regarding tax matters related to the Program.
- 8.4 Payments in Exchange for Financing** It is the policy of the Program that no Partner



may provide direct cash payment to a contractor or Affiliated Individual explicitly in exchange for such contractor or Affiliated Individual's offering Program financing to a homeowner.

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

9 PROTECTED CLASSES

Policy Summary: It is the Partner's responsibility to ensure compliance with all state and federal laws that cover individuals in protected classes (e.g., race, religion, color, marital status, sex, national origin, citizenship, presence of children, disability, gender, age and/or sexual preference, because an applicant receives income from a public assistance program, or because an applicant has in good faith exercised any right under the Consumer Credit Protection Act.) Heightened protections for homeowners over 64 years old, such as confirming understanding of financing terms and project specifications, is a focus of the Program. The Partner is responsible for protecting against intended and unintended non-compliance with such standards, and in particular for providing legally unbiased access to, and decisioning of, requests for Program financing.

- 9.1 General** It is the policy of the Program that controls be designed to monitor and test compliance with all state and federal laws covering homeowners in protected classes.
- 9.2 Elders** It is the responsibility of the Partner to develop and implement a program that validates elder homeowners' (i.e., homeowners over 64 years of age) understanding of the eligible improvement project for which they are seeking Program financing, including the terms of such financing.
- 9.3 Financing Access and Decisioning** It is the responsibility of the Partner to provide legally unbiased access to, and decisioning of, requests for Program participation.

10 CONTRACTOR REQUIREMENTS

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

10.1 Policies It is the policy of the Program that all contractors who sell, install, or manage subcontractors who install, eligible improvements will have executed and that all such contractors and all employees, entities, owners, partners, principals, independent contractors, third-party agents or other person who perform any services for the contractor in connection with a Program financing (collectively, the “Affiliated Individuals”) meet the requirements of the Program’s Contractor Participation Agreement, which include:

- 10.1.1** Compliance with the Registered Contractor code of conduct, a sample of which is included as ‘Attachment A’ to this document;
- 10.1.2** Maintenance of an active license, and be in good standing, with the California Contractor State License Board (“CSLB”), including compliance with the CSLB (or equivalent agency or program) insurance and bonding requirements;
- 10.1.3** Execution of the Program’s Contractor Participation Agreement only by a person who is authorized to act on behalf of, and who is responsible for the actions of, a Registered Contractor (a “Qualifying Individual”);
- 10.1.4** Oversight and management of employees, independent contractors and subcontractors who provide services to Registered Contractors accessing the Program;
- 10.1.5** Meeting all other state and local licensing, training and permitting requirements;
- 10.1.6** Compliance with the Program’s marketing policies; and
- 10.1.7** Ensuring all Affiliated Individuals register with the Program.

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

10.3 Contractor Training It is the policy of the Program that each Partner make available contractor training regarding, at a minimum, the following: (i) the applicable contractor



code of conduct as required by the Program, (ii) protected classes, including, without limitation, elder protection, and (iii) other consumer protection measures as required by the Program.

10.4 Remedial Action Partners may warn, suspend or terminate a Registered Contractor and/or Affiliated Individual from the Program based on violations of the Contractor Participation Agreement or the suspension of their license by the CSLB. The Program does not knowingly accept Program applications processed by suspended or terminated contractors and/or associated representatives.

11 ELIGIBLE PRODUCTS

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

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

- 11.1.1. Establish and maintain an eligible products database and/or list, documenting the associated eligibility specifications, a current list is included as ‘Attachment B’ of this document;
- 11.1.2. Define processes for adding or modifying the eligible product database;
- 11.1.3. Ensure that eligible product energy efficiency, water efficiency and renewable generation (as applicable) performance standards are evaluated using guidance provided by the U.S. Department of Energy, U.S. Environmental Protection Agency, the California Energy Commission and/or other federal and state agencies or other reputable third party sources.
- 11.1.4. Use credible third-party sources to determine the useful life of the product, which will be used to set the maximum term for the Program’s financing; and
- 11.1.5. Require that the product is permanently affixed to the Property.

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

11.3. Ineligible Products

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

included.

12 FINANCING AMOUNT

Policy Summary: Many homeowners often cannot readily access price information regarding the installation of energy efficiency, renewable energy and water conservation improvements for their homes, and cost often is a key economic consideration. While the Program does not set price controls, it reviews each project on a case-by-case basis to affirm that the pricing for each Measure conforms to generally accepted market pricing ranges.

The Program's policies provide as follows:

- 12.1** It is the policy of the Program to review pricing based on market data and the sponsoring Partner's experience, but not to set pricing for installation of eligible products and projects. Partners are presumed to take into account regional factors and special installation characteristics or scenarios that may contribute to the pricing of improvements.
- 12.2** It is the policy of the Program that Partners will review various product types (e.g. for central air conditioners, solar PV systems, solar thermal systems and artificial turf) to ensure pricing falls in a generally acceptable range. For example, there may be different types of central air conditioners, solar PV systems, solar thermal systems and artificial turf.
- 12.3** It is the policy of the Program that each Partner will establish processes for purposes of reviewing contractors' estimated project costs and determine that proposed project measures meet acceptable guidelines for energy efficiency, renewable energy, water conservation, or seismic or hurricane protection.
- 12.4** A product may only be funded for an amount that is justified by reasonable standards that are acceptable to the Authority.

13 REPORTING

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

13.1 Reporting Categories. It is the policy of the Program that Program statistics reporting and estimated impact metrics in the following categories be developed and reported quarterly to the Authority: (i) number of projects funded, (ii) project amount funded, (iii) estimated amount of energy savings, (iv) estimated amount of renewable energy production, (v) estimated amount of water savings, (vi) estimated amount of greenhouse gas reductions, and (vii) estimated economic stimulus of dollars invested.

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

13.3 Additional Reporting Requirements It is the policy of the Program that Program statistics also be reported to the relevant bodies in conformance with all applicable laws and policies. This includes, but is not limited to, the current election by the Program to be enrolled in the CAEATFA PACE Loan Loss Reserve.

14 PROJECT COMPLETION & DISBURSEMENT OF FUNDS

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

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



Attachment A

[insert Contractor Code of Conduct]



Attachment B

[insert Product Guidelines]