

Verification. ~~FortiFi~~ uses reasonably reliable third party records of the Property Owner's income or assets to make the Determination, examples of which include:

- a) A pay stub showing the most recent 30-day pay period or financial institution records showing regular deposits consistent with reported income for the most recent 60 days.
- b) Copies of most recent tax returns the Property Owner filed with the Internal Revenue Service or the Franchise Tax Board.
- c) 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.
- d) Payroll statements, including the Department of Defense Leave and Earnings Statement (LES).
- e) Financial institution records, such as bank statements or investment account statements reflecting the value of particular assets.
- f) Records from the Property Owner's employer or a third party that obtained income information from the employer.
- g) 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.
- h) Income may not be derived from temporary sources of income, illiquid assets, or proceeds derived from the equity from the subject property.

~~FortiFi~~ may use automated verification of such income or assets 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. As discussed below, ~~FortiFi~~ asks the Property Owner open-ended questions during its oral confirmation of key terms call, to confirm the income provided on the Property Owner's application and to identify the sources of the Property Owner's income.

~~FortiFi~~ may waive the income or asset verification requirement where the application is for PACE funding to finance a heating, ventilation, and air conditioning (HVAC) system, boiler, or other system whose primary function is temperature regulation in the event of an emergency or immediate necessity, only under the terms and conditions set forth in California Financial Code §22687(e). See section [__] below for further requirements.

In calculating the ability of the Property Owner to pay the annual PACE payment obligations, ~~FortiFi~~ determines whether the Property Owner's income is sufficient to meet:

- (1) The PACE payment, including all interest and fees.
- (2) Any mortgage payments.
- (3) All existing debts and obligations as determined below.
- (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. **FortiFi** makes a 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, the following:
 - (A) Food and other necessary household consumables.
 - (B) Transportation costs to work or school, including fuel costs, auto insurance and maintenance costs, and public transit costs.
 - (C) Utilities expenses for telecommunication, water, sewage, electricity, and gas.

(2) Debt. The Property Owner must submit on their application their monthly housing expenses. In considering the monthly debt obligations of the Property Owner and any person whose income is considered in the Determination, **FortiFi** uses reasonably reliable third-party records, including one or more consumer credit reports (described above) including at least a two-file Merged Credit Report (MCR) or a Residential Mortgage Credit Report (RMCR). Monthly debt obligations include, but are not limited to: all secured and unsecured debt,

alimony, child support, monthly housing expenses. If property tax and insurance obligations are not included in a Property Owner's escrow, **FortiFi** uses reasonably reliable methods to determine these obligations.

1.6 Application Decision

Approved with Conditions

An application will be conditionally approved if all the submitted information meets the underwriting eligibility requirements but is incomplete or cannot be verified using the automated underwriting system. It is within **FortiFi**'s discretion to request specific types of additional documentation depending on the issues related to the application. Once **FortiFi** is satisfied that the correct and complete information has been obtained, verified and meets the eligibility requirements an application can be approved.

Approved

An application will be approved if **FortiFi** has verified all of the items listed in the Eligibility Requirements for properties and Property Owners. An "approved" applicant will receive an Approval Letter indicating a maximum approval amount and step-by-step instructions on how to proceed. Once a Property Owner has been approved, they will be provided with the Financing Estimate and Disclosure and the Assessment Contract. An "approved" applicant must comply with all Program requirements during the process or will not be approved for funding at a later date. Approvals are subject to expiration to be determined by **FortiFi** at the time of approval.

Declined

An application will be declined if **FortiFi** determines the Property Owner or the Property do not meet the Eligibility Requirements. The Property Owner will be notified by email of the specific reason(s) why his or her application was declined. If the Property Owner believes there has been an error based on the stated reasons in the decline notification and is unable to resolve it quickly by contacting **FortiFi**, the Property Owner may formally contest **FortiFi** decision as described in the Dispute Resolution Section of this handbook.

1.7 Welcome Call – Oral Confirmation of Key Terms

After approval of the PACE financing and before a Property Owner executes an Assessment Contract, **FortiFi** makes a live call to the Property Owner and complies with the following state law requirements:

- a) Record the oral confirmation and retain that recording for 5 years from the time of recording.
- b) Ask if the Property Owner would prefer that the call be conducted in another language than English and deliver in that language (if that language is supported by **FortiFi**) or via an interpreter chosen by the Property Owner. If the alternate language is not supported or the Property Owner does not choose an interpreter, the call is ended and the PACE assessment transaction will not proceed.
- c) Ask whether the Property Owner would like to exercise his or her right to have other persons present for the call.
- d) Confirm that at least one owner of the Property has a copy of the Assessment Contract, including the Financing Estimate and Disclosure and the Right to Cancel notice, with all key terms completed with hard copies available upon request. Inform the Property Owner that he or she should review these documents with all other owners of the property.
- e) Confirm each of the key terms of the Assessment Contract in plain language and obtain acknowledgment of these key terms.
- f) Explain that the improvement is being financed by a PACE assessment.
- g) Confirm the total estimated annual costs the Property Owner will have to pay under the Assessment Contract, including applicable fees.

- h) Confirm 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.
- i) Explain that the applicable 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.
- j) Explain the term of the assessment contract (i.e. # of years).
- k) Explain that payments on the Assessment Contract 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 (paid biannually), or through the Property Owner's mortgage impound account, and that if the Property Owner pays his or her taxes through an impound account he or she should notify their mortgage lender to discuss adjusting his or her monthly mortgage payment by the estimated monthly cost of the PACE assessment.
- l) Explain that the Property will be subject to a lien during the term of the Assessment Contract that is recorded against the Property 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.
- m) Ask the Property Owner whether the Property has received or is seeking additional PACE assessments and confirm that the Property Owner has disclosed all other PACE assessments or special taxes that are or about to be placed on the Property.
- n) Explain that any potential utility savings are not guaranteed and will not reduce the assessment payments or total assessment amount.
- o) Explain that the PACE administrator is not a tax advisor and does not provide tax advice, and that the Property Owner should seek professional tax advice if he or she has any questions about tax credits, tax deductibility or of other tax impacts of the PACE assessment.
- p)
- q) Explain 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.
- r) Explain that the property owner has a three-business day right to cancel the Assessment Contract under state law and that canceling the assessment contract may also cancel the home improvement contract.
- s) Explain that it is the responsibility of the Property Owner to contact the Property Owner's home insurance provider to determine whether the efficiency improvement to be financed by the PACE assessment is covered by the Property Owner's insurance plan.

1.8 Right to Cancel

FortiFi informs all Property Owner of their three-business day right to cancel the assessment contract via the confirmation of key terms call described above, the form of Assessment Contract and the Financing Estimate and Disclosure.

Waiver of Right to Cancel

In the case of emergency or immediate necessity, the requirements of income and asset verification using third-party records and the three-business day right to cancel may be waived for the funding and recordation of a PACE assessment to finance a heating, ventilation and air conditioning system (HVAC), boiler or other system whose primary function is temperature regulation in a home if all of the following are met:

- a) The funding is limited to the emergency or immediate necessity improvement and any required improvements directly necessary to the installation and safe operation of the improvement.
- b) Any efficiency improvement funded is eligible for PACE financing.

- c) The Property Owner executes a handwritten waiver of their right to cancel that describes the situation that requires immediate remedy, acknowledges that the contractor has informed them of their right to cancel and that is dated and signed by each Property Owner pursuant to subdivision (d) of Section 5940 of the Streets and Highways Code, and confirms, pursuant to Section 5913 of the Streets and Highways Code, the emergency or immediate necessity of the improvement.
- d) 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.
- e) **FortiFi** first attempted to use an automated means of verification as described above.
- f) If **FortiFi** was unable to verify the Property Owner's income pursuant to such automated verification method, in the confirmation of key terms call, **FortiFi** shall ask the Property Owner open-ended questions to identify their income and the sources of their income.
- g) The funding is limited to the emergency or immediate necessity improvement and any required improvements directly necessary to the installation and safe operation of the improvement.
- h) Any efficiency improvement funded is eligible for PACE financing.
- i)

FortiFi shall report annually all PACE assessments that were funded and recorded pursuant to this emergency exception in a form acceptable to the Commissioner of the Department of Business Oversight.

1.9 Notice to Proceed

If **FortiFi** determines that the financing request meets the Eligibility Requirements, an authorized representative of the Authority will countersign the Assessment Contract and **FortiFi** will issue a Notice to Proceed. The Notice to Proceed will be sent by email to the Contractor and Property Owner(s) with the terms and conditions of the approved financing.

1.9.1 Settlement Review

After the project has been completed the underwriting team within **FortiFi** will conduct a final review of the project file. Upon completion of the project to the satisfaction of the Property Owner. The Property Owner and the contractor will execute a completion certificate to validate such information and authorize the funding of the project. The contractor will also upload pictures of the completed work to support the assessment.

1.9.2 Physical Inspection

Upon completion of construction, an **FortiFi** representative will order a physical inspection from a third-party vendor. This inspector will review all eligible improvements associated with the PACE assessment and validate the work was completed in a professional manner and per the specifications in the Assessment Contract, including the project details set forth in the Financing Estimate and Disclosure. Each inspection will note the installed products and provide a photo of the completed work. Inspection will also validate that the work occurred on the property subject to the Assessment Contract with pictures and address verification.

1.9.3 Completion Call

Upon receipt of the executed certificate of completion, a **FortiFi** representative will conduct a recorded completion call with the Property Owner(s). This call will re-confirm that the Assessment Contract, including the Financing Estimate and Disclosure and all other attachments thereto, was executed properly and the work was completed to the Property Owner's satisfaction. This is a recorded call that resides with the project file to ensure all parties have confirmed the requirements.

2 Assessment Servicing

2.1 Recording

The following documents are recorded with the participating county as public record:

Recording Documents: A notice to be sent with the next annual property tax statement sent by county revenue authorities to taxpayers detailing the amount of property tax they owe. Also, a note will be sent to the Auditor-Controller-Treasurer-Tax Collector describing the assessment and Assessment Contract.

Notice of Assessment: A notice describing the Assessment Contract to which the Property is subject, the annual amount of the assessment and the term of the Assessment Contract.

Additional Documents: The Program Administrator may at its own discretion require additional documents for Program financing.

2.2 Annual Tax Collections

Property Owners will repay the principal, interest and applicable fees over the financing term as agreed to and specified in the Assessment Contract. Payment will be billed and paid as a line item on the property tax bill. Failure to repay as agreed will result in additional interest and penalties and may result in foreclosure and sale of the Property.

2.3 Payoffs

Payoff requests process

- Receive payoff request from Escrow officer/title company including:
 - When interest should be calculated to
 - The homeowners name and address, and APN
- Send to AmeriNat Attn: Terry Berg tberg@amerinatls.com to request the calculations for the payoff amount
- Have payment go to our Prepayment Lock Box Account or if not established yet make payment to:

FortiFi Credit SPV, LLC
11111 Santa Monica Blvd, Suite 950
Los Angeles CA 90025

- Once you receive the payoff invoice from AmeriNat send it back to the Escrow officer/title company to provide to the homeowner
- Follow up with accounting to ensure we received payment before the final cutoff date interest was calculated to and that AmeriNat has unrecorded the lien

3 Contractor Enrollment

As required by applicable state law, **FortiFi** background checks, trains, enrolls and monitors PACE Solicitors (as defined in the California Financial Code), including home improvement contractors ("Contractors").

3.1 Eligibility Criteria

Criteria

Requirements

Active CSLB License	Contractors may only perform work for which they have the appropriate Contractors State License Board ("CSLB") license in good standing (unless exempt from or not subject to licensure). Upon every project submission, the UW will verify the license is active to approve the contractor.
Insured and Bonded	Contractors must have general liability and worker's compensation insurance and are required to carry a bond in the amount required by the CSLB.
BBB Rating	Must have at least a B+ rating with the Better Business Bureau
Consumer Review	Must have favorable consumer reviews, e.g., an average of 3+ stars on Yelp or similar site. Based on reviews and other information, Contractor must not have: a clear pattern of customer complaints regarding dishonesty, misrepresentations or omissions; a high likelihood of soliciting assessment contracts in a manner that does not comply with applicable law; or a clear pattern of failing to timely receive and respond to property owner complaints.
FortiFi	FortiFi exercises its right to use its discretion in making a final decision on contractor eligibility
Contractor Agreement	All Contractors must execute a written agreement with FortiFi that requires compliance with all applicable law and FortiFi 's code of conduct and expectations to be included in the PACE program.

3.2 Onboarding

Prior to activating a Contractor in the system, the ACE assigned to the Contractor and their Regional Sales Director will host a training and kick off meeting. During training, the ACE will explain the requirements of PACE financing and the Program. The ACE will explain the requirements of applicable law relating to PACE financing and guidelines for communicating with property owners regarding PACE. In addition, the ACE will train the Contractor on the workflow and processes of the **FortiFi** software for financing of an assessment.

Upon completion of training, the ACE and the Contractor will execute the Contractor Code of Conduct to certify that the ACE provided the proper training and the Contractor received and understood the training.

3.3 Repurchase Guarantee

FortiFi ensures Contractors it enrolls sign a repurchase agreement to cover issues such as faulty workmanship in order to protect the consumer. If any workmanship issues arise, **FortiFi** will provide an inspector to work with the homeowner and Contractor to mediate completion of the Project to the homeowner's reasonable satisfaction before full payment is disbursed to the Contractor.

3.4 Incident Reporting

Incidents that are reported between a Contractor and a homeowner, including all property owner complaints, are recorded by the consumer complaint team. **FortiFi** will track such issues and discuss proper action for resolution as soon as reasonably practicable. **FortiFi** will work with the parties involved to ensure the standards of the program are being upheld and to resolve any complaints in a timely

manner. If a Contractor is found to be noncompliant with **FortiFi**'s code of conduct, written agreement or any applicable law, **FortiFi** will cancel the enrollment of such Contractor from its Program. As required by law, **FortiFi** will notify DBO of the enrollment cancellation and withdrawal of any PACE Solicitor in its Program.

3.5 Dispute Resolution

The parties who have signed an Assessment Contract for the Program shall attempt in good faith to promptly resolve any dispute arising out of or relating to any Assessment Contract under the Program by negotiations between **FortiFi** or his or her designated representative and the Property Owner. Either party must give the other party or parties written notice (sent by certified mail) of any dispute. Within thirty (30) calendar days after delivery of the notice, **FortiFi** and the Property Owner shall meet at a mutually acceptable time and place and shall attempt to resolve the dispute. If the matter has not been resolved within thirty (30) calendar days of the first meeting, any party may pursue other remedies, including mediation. All negotiations and any mediation conducted pursuant to this clause are confidential and shall be treated as compromise and settlement negotiations, to which Section 1152.5 of the California Evidence Code shall apply, and Section 1152.5 is incorporated herein by reference. Each party is required to continue to perform its obligations under the Assessment Contract pending final resolution of any dispute arising out of or relating to the Assessment Contract.

Property Owners who wish to dispute decision(s) made by the Program or **FortiFi**, but who have not signed a formal Assessment Contract, shall use a similar process. Written notice must be sent by certified mail to **FortiFi** at the Address indicated in the Contact section of this handbook. The notice must identify the issue(s) for resolution, the circumstances that surround the issue(s), the section in the Handbook that the issue(s) pertain(s) to, and a timeline of events. Within thirty (30) calendar days after delivery of the notice, **FortiFi** and the Property Owner shall meet at a mutually acceptable time and place and shall attempt to resolve the dispute. **FortiFi** shall render a written decision in 30 calendar days and send that decision to the Property Owner. The decision of **FortiFi** is final.

3.6 Arbitration

If a meeting and mediation is unsuccessful, the matter will be submitted to arbitration. The parties will mutually select an arbitrator. The arbitration will be decided using so-called "baseball arbitration" or "best last offer" where the arbitrator may only choose one of the final two offers.

3.7 Suspension or Cancellation

If for any reason an enrolled Contractor is misusing the Program, violating the law or its agreement with **FortiFi**, such Contractor will be suspended or cancelled from enrollment in the Program. As required by law, **FortiFi** will notify DBO of the enrollment cancellation and withdrawal of any PACE Solicitor in its Program.