



## **Residential Property Assessed Clean Energy (R-PACE) Consumer Information Guide**

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### **About this Guide**

Thank you for considering Residential Property Assessed Clean Energy financing (R-PACE) to complete your home improvement. PACENation, the nation's leading advocate for R-PACE, created this Guide to help answer homeowners' frequently asked questions as they proceed through the financing process. Please print this Guide and read it carefully. If you have any questions that aren't included in the Guide, ask your PACE financing representative during your confirmation of terms call or reach out to them at any time.

## How R-PACE Works

Residential Property Assessed Clean Energy is an innovative and proven option that offers access to low-cost, long-term financing for energy-efficiency, renewable energy, water conservation, seismic retrofits, wildfire resiliency and storm resiliency projects, depending on state regulations. The financing is repaid as an assessment on your property tax bill.

R-PACE is a national initiative, but programs are established locally and are tailored to meet regional needs. Although R-PACE programs are implemented in partnership with local governments, R-PACE is not a “government program,” but is instead 100% private financing that must be repaid as part of your financing agreement.

State and local governments pass legislation that authorizes cities and counties to establish PACE programs, and local governments have developed a variety of program models that have been successfully implemented over the course of the last decade. Regardless of the model your city or county chose, several key elements apply to each R-PACE program.

A few key aspects of R-PACE financing include:

- R-PACE financing can only help pay for projects which are permanently affixed to a property, e.g., roof, windows, and solar panels.
- R-PACE can only help pay for improvements related to energy efficiency, renewable energy and energy storage, water conservation, or resiliency, depending on your state.
- R-PACE can cover 100% of a project’s hard and soft costs such as materials and labor.
- R-PACE offers extended financing terms of up to 20 or 30 years depending on your state.
- The PACE assessment is recorded as a lien on the property.

## How to Read Disclosures

When you sign an R-PACE assessment financing agreement you agree to repay the financing provided, including fees and interest for the improvements you are installing on your property. As with any financial obligation, such as a personal loan or car loan, take time to read and understand the R-PACE financial disclosures included in your financing agreement.

The financing agreement will include important financial disclosures and detail the key terms of your financing. In reviewing your financing agreement, check to ensure the following critical information is included. If anything is missing or incorrect, or if you have any questions, contact your R-PACE financing representative before you sign the financing agreement.

- The total amount you are agreeing to finance, including the project's estimated cost, all fees and capitalized interest, if any. The fees will vary depending on the R-PACE company you work with and should be itemized in your disclosure.
- The estimated annual assessment payment you will have to pay as part of your property taxes.
- The term of your financing agreement (how long you will have to make payments before your assessment is paid off) and the total amount you will pay over the life of the financing term.
- The interest rate and the estimated annual percentage rate (APR).
- A description of the improvements you are financing.
- A disclosure which explains that the R-PACE assessment will result in a lien on your property and that failure to pay the assessment may result in tax foreclosure and the possibility of the loss of your property.
- A disclosure which explains that mortgage lenders may require you to pay off the full amount of the R-PACE assessment as part of the sale of your home or refinancing of your home mortgage.

Other disclosures may also be included in your financing agreement and are also important. Please read them carefully to fully understand the financial obligation you are agreeing to when you sign your finance agreement. Please contact your R-PACE representative immediately if you have any questions.

Your R-PACE program will provide a "confirmation of terms call," a recorded phone call during which a representative from the R-PACE company reviews the disclosures and specifics about your PACE project. The purpose of this call is to ensure that you are aware of and understand the disclosures and terms of your financing agreement. Please use this opportunity to ask questions about the disclosures and/or your financing agreement to make sure you understand everything that you are signing.

## Your Right To Cancel

You have the right to cancel your Financing Agreement for *any* reason without *any* financial penalty within a specified time. Please contact your R-PACE company if you have any questions.

- You have the right to cancel within three (3) business days after you sign your financing agreement.
- You have the right to cancel within five (5) business days if you are age 75 or older or if you meet the R-PACE company's definition for a low-income homeowner.
- By law, in California, you can cancel within five (5) business days if you are age 65 or older.

## How Property Tax & Escrow Increases Work

The amount you owe for your R-PACE assessment will be included as a line item on your regular property tax bill. You will pay your R-PACE assessment in the same manner that you pay your property taxes.

If you pay your property taxes through a mortgage escrow account, immediately notify your mortgage servicer that you have a new R-PACE assessment and provide the amount. Your mortgage servicer should adjust your monthly escrow amount to ensure there is enough money to cover your annual property tax payment and your PACE annual assessment.

## Understanding Quotes from Contractors

With R-PACE financing, you select your home improvement contractor. R-PACE companies may provide participating contractor information, but you are not required to use a specific contractor to be eligible for R-PACE financing.

Here are tips to help you carefully select your contractor:

- Look up the contractors' license number and name with your state's licensing division.
- Find out how long the company has been in business and how many projects they have completed.

- Check customer review websites such as Angie’s List and the Better Business Bureau.
- Get quotes from at least three (3) contractors that serve your neighborhood. Compare the quotes and ask questions.
- The quote should include the contractor’s license number, be clear and easy to understand, and thoroughly explain each detail of the project’s scope, including the cost of materials and labor, estimated start and finish dates, and an hourly rate.
- The contractor should explain which permits or inspections, if any, are required. You should confirm with your city or county by reviewing their website. You and your contractor are both responsible for obtaining building permits and completing final inspections with the appropriate city or county building department.
- A good contractor will make sure the information is in an organized and easy-to-understand document. If aspects of your quote are not clear, ask for a revision before signing a contract.

## Objective Comparisons to Other Standard Types of Financing

R-PACE is an excellent option for many property owners. Still, it is not the only option that may be available to you or best suited to your needs. See below for some examples of factors to consider as you decide how to pay for your R-PACE project.

	Potential advantages	Important considerations
<b>PACE Financing</b>	<ul style="list-style-type: none"> <li>● 100% financing for eligible improvements with no upfront costs.</li> <li>● Extended repayment terms</li> <li>● Annual payment with property taxes (may be paid through your monthly mortgage escrow account).</li> <li>● Contractor may not require an upfront payment.</li> </ul>	<ul style="list-style-type: none"> <li>● R-PACE financing results in a first-priority lien on your property.</li> <li>● You may be required to pay off the entire balance of the R-PACE assessment before the sale or refinance of your home.</li> <li>● If you do not make your R-PACE payments, it could result in penalties and fees and ultimately a tax certificate sale or tax foreclosure resulting in the loss of your property.</li> </ul>
<b>Unsecured Loan</b>	<ul style="list-style-type: none"> <li>● Often little or no upfront costs.</li> <li>● Often quick approval based on credit score.</li> </ul>	<ul style="list-style-type: none"> <li>● Approval is often based on your credit score. Property owners with low credit scores may not be approved or may pay high-interest rates.</li> </ul>

		<ul style="list-style-type: none"> <li>Typically, unsecured loans have higher interest rates than secured loans or other types of financing.</li> <li>Failure to make payments will negatively impact your credit score.</li> <li>Contractor may require a high upfront payment.</li> </ul>
<b>Secured Loan (Mortgage Loan or Home Equity Line of Credit)</b>	<ul style="list-style-type: none"> <li>Often little to no upfront costs.</li> <li>Typically, low-interest rates are based on credit score.</li> <li>May have extended repayment periods.</li> </ul>	<ul style="list-style-type: none"> <li>Approval based on credit score and other factors may make it more difficult and take longer to qualify.</li> <li>Property owners with low credit scores may not be approved or may pay high-interest rates.</li> <li>If you do not make your payments, it could result in penalties and fees and ultimately a tax certificate sale or tax foreclosure resulting in the loss of your property.</li> <li>Contractor may require a high upfront payment.</li> </ul>
<b>Cash</b>	<ul style="list-style-type: none"> <li>No approval required.</li> <li>No impact to credit score.</li> <li>No long-term debt.</li> </ul>	<ul style="list-style-type: none"> <li>Contractor may require a down-payment.</li> <li>High upfront costs.</li> </ul>

## Information About Federal Grant Programs

There are several federal, state, and non-profit programs which may be available to assist homeowners who meet low-income eligibility criteria with the purchase of energy-efficient, renewable energy, or climate-resilient home improvements. We encourage you to look into these programs to see if you qualify and consider substituting one or more for R-PACE financing. Please see below for a list of a few available programs.

- The US Department of Energy Weatherization Assistance Program reduces energy costs for low-income households by increasing the energy efficiency of their homes through weatherization improvements and upgrades. Grants are made at the state and local levels. Households at or below 200% of the poverty income guidelines are considered eligible for weatherization services if they receive Supplemental Security Income or Aid to Families with Dependent Children. See [www.energy.gov/eere/wap/how-apply-weatherization-assistance#states](http://www.energy.gov/eere/wap/how-apply-weatherization-assistance#states) for a map of specific state, territory, or tribe eligibility guidelines.

- The Low-Income Home Energy Assistance Program (LIHEAP) is a federally funded program aimed to assist low-income households that pay a high portion of their income to meet their energy needs, including weatherization and energy-related home repairs. For more information about LIHEAP, you can call the toll-free phone number at 1-866-674-6327, email to [energy@ncat.org](mailto:energy@ncat.org), or contact your State's LIHEAP office.
- The Database of State Incentives for Renewables and Efficiency (DSIRE) is a comprehensive source of information on financial incentives that support renewable energy and energy-efficient improvements. See [www.dsireusa.org](http://www.dsireusa.org)