OFFICE OF THE TREASURER-TAX COLLECTOR
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OVERVIEW OF PACE (PROPERTY ASSESSMENT CLEAN ENERGY) PROGRAMS

PACE programs, under state law, allow local governments, state agencies, or inter-jurisdictional authorities to fund, through the issuance of bonds, the up-front cost of installing energy improvements on commercial and residential properties. Qualified property owners repay the bonds through direct assessments on their annual property tax bill. Some examples of qualifying projects include high efficiency air conditioners and heating systems, windows, cool roofs, insulation, rooftop solar panels, and smart irrigation systems. All annual assessment payments will appear under the Special Assessment charges on the Secured Property Tax Bill.

These assessments are different from the majority of other property tax bill assessments (e.g., library, flood control or solid waste) in the following ways:

- Participation in these programs is voluntary and is not required pursuant to any government program or initiative.

- The Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) are the owners of a majority of all home mortgages. Fannie Mae and Freddie Mac are government-sponsored enterprises established to facilitate a more efficient national mortgage market for home mortgages. These agencies have previously stated that they would not purchase home mortgages with these assessments. If a property owner with a PACE assessment refinances his or her mortgage or sells the property, lenders or prospective buyers may require that the assessment be paid in full as part of the refinancing or sale transaction. The U.S. Department of Energy's website at energy.gov, warns of PACE loan disadvantages including: "Potential resistance by lenders/mortgage-holders whose claims to the property may be subordinated to the unpaid assessment amount should the property go into foreclosure and, high legal and administrative setup fees".

- Property owners should consult with their lender(s) or mortgage servicer(s) prior to entering into an assessment contract. Entering into an assessment contract without the consent of an existing lender(s) or mortgage servicer(s) may constitute an event of default under such agreements or security instruments. Defaulting under an existing mortgage agreement or security instrument could have serious consequences to property owners, which could include demand for payment in full or foreclosure.

- Property owners **must** keep property taxes current. If you have a PACE assessment and you become delinquent on your property taxes, your PACE assessment is also delinquent. Under the terms and conditions of a PACE financing, the holders of the PACE bonds have the right to initiate a judicial foreclosure process against the property to recover ANY delinquent PACE assessment, which could result in the loss of your property.

- The PACE bond investors **DO NOT** have to honor an Installment Plan of Redemption, as allowed under the California Revenue and Taxation Code, to repay defaulted taxes over a five-year period.

- If you pay your property taxes through your lender or mortgage servicer, you may need to contact your lender or mortgage servicer to adjust your impound amount and ensure that sufficient funds are available to cover the annual PACE assessment. If your mortgage lender does not pay for these assessments, the property owner is responsible and is subject to all penalties if not paid timely.