

# Advocates Applaud CFPB's Intention to Deal with PACE Loan Program Abuses

**FOR IMMEDIATE RELEASE:** March 4, 2019

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*Consumer Advocates Urge Strong Consumer Protections for Borrowers of Property Assessed Clean Energy (PACE) Loans*

WASHINGTON- Today, advocates at the National Consumer Law Center applauded the Consumer Financial Protection Bureau (CFPB) for taking its first step in initiating a rulemaking to curtail consumer abuses in the PACE loan program and urged the Bureau to develop strong protections to curb widespread program abuse.

"PACE lenders evade mortgage laws, enabling contractor fraud, promoting elder financial abuse, and causing problems for homeowners looking to refinance or sell their homes, all while providing insufficient and at times minimal energy savings," **said John Rao, staff attorney at the National Consumer Law Center.** "The CFPB's plan to enact PACE regulations, mandated by Congress, is important to reform the PACE loan program and adopt sorely needed consumer protections."

In October, in an unusual coalition, groups representing the mortgage lending industry, including the American Bankers Association and the Mortgage Bankers Association, joined consumer advocates in a letter sent to the CFPB urging a rulemaking to address "the hidden way in which PACE loans have developed outside our consumer protection framework."

PACE programs offer loans for energy efficient home improvements, such as solar panels, HVAC systems, and energy efficient windows, along with more questionable items such as "cool coat paint." PACE loans, offered through home improvement contractors, often in door-to-door sales, and secured by a property tax lien, are collected through a property tax assessment that takes priority over any existing mortgage. PACE programs must be authorized by state and local governments, but are privately run with little or no government oversight.

Over the last two years, there has been a sharp increase in homeowners seeking assistance from legal services and other organizations in relation to PACE loans. "The goal of improving home energy efficiency is being overshadowed by the lack of adequate consumer protection for these loans. Weak PACE loan regulation enables contractors to saddle homeowners with debt they cannot afford and puts their homes at risk for foreclosure," **Rao explained.**

Legislation last year, the Economic Growth, Regulatory Relief, and Consumer Protection Act (S.2155, the "Crapo Bill"), requires the Bureau to issue "ability to repay" requirements with respect to PACE loans and to allow consumers to recover damages and access foreclosure defense and other remedies. "The CFPB must adopt ability-to-repay requirements for PACE loans and must also ensure that consumer protections required of other mortgage products, such as know-before-you-owe disclosures and the right to cancel, apply to PACE," **said Rao.**

To learn more about the consumer impact of PACE loans read NCLC's 2017 issue brief.