

Consumer Groups Urge the Department of Energy to Strengthen Protections for Homeowners in Best Practice Guidelines

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(WASHINGTON) Today, the National Consumer Law Center, on behalf of its low-income clients, and 15 consumer advocacy organizations submitted comments urging the U.S. Department of Energy (DOE) to strengthen consumer protections in the Department's draft Best Practices for Residential PACE Financing Programs. Municipalities use Property Assessed Clean Energy (PACE) loans to help homeowners finance energy efficiency and renewable energy improvements to their homes. In exchange, the municipalities collect the loan payments just as with property taxes. Failure to make payments promptly can lead to foreclosure for the homeowner.

The comments urge that the Department's guidelines' recommend that municipalities not market PACE loans to low-income households. All too often, the house is the only asset the low-income family has and an unaffordable PACE loan could lead to foreclosure. While consumer advocates believe cost-effective energy efficiency improvements are important for homeowners and support investment in energy efficiency measures, the loans should not risk loss of the home. Low-income homeowners often can get energy efficiency upgrades at no cost, through DOE's weatherization program and through similar programs funded by many utilities across the country. Moreover, PACE loans generally carry higher interest rates than home equity loans, which is another financing option for most homeowners.

"PACE programs amount to betting the house that the energy efficiency improvements will perform as expected and that the PACE loan repayments will be affordable," said Charlie Harak, senior energy attorney at the National Consumer Law Center. "While we support greater funding for energy efficiency programs, PACE loans are simply too risky for families with limited income and assets."

Even for moderate and higher income homeowners, advocates recommend that the Department promote stronger consumer protections for households interested in PACE financing. The most important protection is to ensure that the borrower has the ability to repay the loan, a requirement now required of traditional mortgage lenders. Otherwise, borrowers with equity in their homes but little income will be set up to fail, and possibly face foreclosure. Consumer advocates also recommend that the PACE loans incorporate by contract the same state and federal consumer protections that apply to traditional mortgages (e.g., Truth-in-Lending, the Real Estate Settlement Procedures Act, and the Federal Trade Commission's Preservation of Consumers' Claims and Defenses rule). While disclosures are important, they are inadequate without meaningful consumer protections. Finally, the advocates recommend protections against abusive sales tactics, including the right to rescind the contract. States should also create Homeowner Guaranty Funds to compensate consumers who are harmed by contractors who can't or won't make good when efficiency measures do not perform as promised.

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consumer law and energy policy to work for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the United States. NCLC's expertise includes policy analysis and advocacy; consumer law and energy publications; litigation; expert witness services, and training and advice for advocates. NCLC works with nonprofit and legal services organizations, private attorneys, policymakers, and federal and state government and courts across the nation to stop exploitative practices, help financially stressed families build and retain wealth, and advance economic fairness. nclc-old.ogosenet.net