

## **Updated SCEIP Application and Documents Incorporating Program Changes and Implementing the New Statewide PACE Loss Reserve Program Fee**

On June 26<sup>th</sup>, 2014, SCEIP was approved by the California Alternative Energy and Advanced Transportation Authority (CAEATFA) to participate in the statewide residential PACE Loss Reserve Program fund.

Our entire existing residential portfolio is covered by the PACE Loss Reserve Program and any future residential applications will be as well. In order to participate we were required to adhere to the statutes of the fund and in doing so, we have made some minor adjustments and added a new one-time fee for any future residential applications.

***As of Monday, July 7<sup>th</sup>, 2014 any new applications submitted to SCEIP will be subject to the additional fee and you must submit the new updated forms we have posted online.***

**Program Changes:** previously, we allowed the requested financing to be “up to 10% of the property value.” We now allow the requested financing to be “less than 10%,” or 9.99% for residential properties.

A residential application is considered three or fewer units. All others are treated as commercial PACE applicants.

All property taxes for the subject property must show no defaults for the previous three years (or since Property Owner took ownership if less than three years). For all other properties owned in Sonoma County, the property taxes must be current.

A one-time administrative fee of 0.0025 (0.25%) of the principal value of each assessment will be applied. Payment is due for each residential application at the time

final disbursement is requested. This fee is included in the Annual Percentage Rate (APR) calculation of the assessment.

### **Statewide PACE Loss Reserve Program**

**The Goal:** The Program is intended to remove any additional risk to the first mortgage lender resulting from the existence of a PACE assessment on a property in a foreclosure or forced sale for unpaid taxes.

Additionally, by tracking the performance of PACE portfolios over the next several years, the Program should provide more detailed information on the actual credit risk associated with PACE financing than is currently available. This information will be useful for potential investors in PACE bonds and securities and may allow them to accept lower returns on these investments.

**The Basics:** The state legislature has provided \$10 million to compensate mortgage lenders for losses. Municipal governments that choose to participate in the Program will agree to various administrative reporting requirements and financing qualification standards. The Program will cover two specific types of losses for first mortgage lenders:

1. If a first mortgage lender forecloses on a property with a PACE assessment, the Program will cover the amount of property tax attributable to the PACE lien that is paid by the first mortgage lender while in possession of the property. The Program will also cover penalties and interest if accrued through no fault of the first mortgage lender.
2. If a County conducts a forced sale on a property for unpaid taxes, the Program will cover any losses to the first mortgage lender up to the amount of overdue PACE payments.

For more information please contact the SCEIP office at (707) 565-6470.