



CSCDA Open PACE Residential Program & Procedures Handbook

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Program Overview

The California Statewide Communities Development Authority ("CSCDA") has established the CSCDA Open PACE Program for the benefit of its county-members (including any incorporated city within those counties) and the cities in Los Angeles County that are members of CSCDA (Los Angeles County is not currently a member of CSCDA). This CSCDA Open PACE Program & Procedures Handbook (this "Handbook") outlines FortiFi's ("FORTIFI") policies and procedures for administering the CSCDA Open PACE Program (the "Open PACE Program" or "Program").

CSCDA anticipates that there will be multiple program administrators engaged to independently administer and provide financing under the Open PACE Program. Separate Program Handbooks will provide additional details about how the Open PACE Program will operate in respect of a particular program administrator.

California Statewide Communities Development Authority

The California Statewide Communities Development Authority ("CSCDA") is a statewide joint powers authority sponsored by the California State Association of Counties and the League of California Cities. CSCDA's mission is to provide local governments access to low-cost financing for projects that provide a tangible public benefit, contribute to social and economic growth, and improve the overall quality of life in local communities.

Purpose of the Open PACE Program

CSCDA is offering the Open PACE Program on a statewide basis to encourage the installation of distributed generation renewable energy sources, energy efficiency improvements, water efficiency improvements, seismic strengthening improvements and electric vehicle charging infrastructure within the existing residential and non-residential building stock. CSCDA will issue assessment-backed bonds that will allow property owners to access competitive interest rates offered by the capital markets.

With the passage of AB 32, the State of California (the "State") set ambitious goals for reducing carbon emissions and building alternative energy use. The California Public Utilities Commission has set a goal of retrofitting over 13 million residences in the State to be at least 30% more energy efficient. Many California cities and counties have also set their own greenhouse gas reduction targets. Similarly, water conservation efforts, including the promotion of water-related improvements to residential, commercial, industrial, or other real property, are necessary to address the issue of chronic water shortages in the State.

Property owners can help to achieve greenhouse gas reductions and reduce water use and, at the same time, save money by investing in distributed generation renewable energy sources, energy efficiency, and/or water efficiency improvements.

The number one barrier to achieving these goals is the large upfront cost. Utilities sell power and water to their customers as a simple pay-as-you-go service. Homes and businesses can be converted to clean energy and reduce water use quickly, but many believe that it can happen only if paying for distributed generation renewable energy sources, energy efficiency improvements and water efficiency improvements becomes simple – like paying a utility bill. The Open PACE Program can make this happen.

Many cities and counties in the State have begun screening properties in their jurisdictions for deficient wood frame construction (“Soft Story”) and enacting mandatory seismic retrofit ordinances to address these problems. The Open PACE Program can provide property owners with an efficient means to finance these seismic retrofits and comply with local law.

[About this Handbook](#)

The purpose of this handbook is to provide the policies and procedures of FortiFi in administering the Program for residential real property. This handbook is divided into three different sections, which will describe FORTIFI ’s process of underwriting, funding and servicing PACE financing under the OPEN PACE program, as well as its PACE solicitor registration, training and monitoring processes.

Table of Contents

California Statewide Communities Development Authority	2
Purpose of the Open PACE Program	2
1 UNDERWRITING	1
1.1 Workflow	1
1.2 Eligibility Criteria	1
1.3 Application Processing	2
SOURCE DOCUMENTS	2
1.4 Ability to Pay – Income, Assets and Debt Determination and Verification	3
APPROVED WITH CONDITIONS	4
APPROVED	4
DECLINED	4
1.8 Right to Cancel	5
1.9 Notice to Proceed	6
1.9.1 Settlement Review	6
2 ASSESSMENT SERVICING	7
2.1 Recording	7
2.2 Annual Tax Collections	7
2.3 Payoffs	7
3 CONTRACTOR ENROLLMENT	8
3.1 Eligibility Criteria	8
3.2 Onboarding	8

3.3	Repurchase Guarantee	9
3.4	Incident Reporting	9
3.5	Dispute Resolution.....	9
3.6	Arbitration	Error! Bookmark not defined.
3.7	Suspension or Cancellation	9

Residential Program

1 Underwriting

1.1 Workflow



1.2 Eligibility Criteria

In determining whether a property ("Property") and an associate improvement project is eligible for PACE financing, FORTIFI complies with all requirements of state law and all CSCDA Open PACE Program rules and consumer protection guidelines. FORTIFI's eligibility criteria include the following:

Criteria	Requirements
Residential Property	The following residential properties are approved in all jurisdictions: (i) properties with 1-3 living units (may include single family, townhome, PUD, duplex, triplex, and 4-plex) and (ii) manufactured homes that have supportive documentation showing they have foundations or are permanently affixed and taxed as real property as stated in CAEATFA's Regulations Section 10081 (b) (8).
Max Financing	Less than 15% of property value for the first \$700k (inclusive of existing assessments, capitalized interest and fees) plus <10% of property value for amounts above \$700k.
Max CLTV & Equity	All debt secured by the property may not exceed 90% of the Property's fair market value ("FMV"), at the time the application is submitted. Residential property owners shall have a minimum of 10% equity in the subject property prior to receiving financing through the Program. The max CLTV of the Property (mortgage debt and all PACE assessments) at time of financing may not exceed 97% of FMV. The sum of all debt secured by the subject Property, the new PACE Assessment and all involuntary liens as described herein must not exceed the Property's market value.
Mortgage History	Mortgages must be current with no more than 1 x 30 day late in the past 6 months or period of ownership whichever is shorter.
Participating Jurisdiction	Property must be located in and pay property taxes to a jurisdiction that has passed an opt-in resolution to join the Program.
Property Taxes	The total amount of any annual property taxes and assessments (including all PACE assessments) shall not exceed five percent (5%) of the Property's FMV.

	Property tax payments for the must be current and the homeowner must certify that there is no more than one late payment for the shorter of the previous three years or since the present homeowner acquired the Property, whichever period is shorter.
Involuntary Liens; Defaults	The Property must not have any involuntary liens with a balance greater than one thousand Dollars (\$1,000.00) or notices of default currently recorded that have not been rescinded.
Bankruptcy	Not currently in bankruptcy and none for the past 2-4 years (based on district requirements) unless BK discharged 2 years prior to application date. If so, no debt payments more than 1 x30 past due allowed excluding medical debt during the 12 months immediately preceding the application date.
Project Eligibility	The improvement to be financed under the Program must be a distributed generation renewable energy source, an energy efficiency improvement, a water efficiency improvement, a seismic strengthening improvement or electric vehicle charging infrastructure that is permanently affixed to residential real property. The improvement may also be a wildfire safety improvement permanently affixed to real where the additional requirements of SB 465 are satisfied.
Useful Life	The term of the Assessment Contract may not exceed the estimated useful life of the measure to which the greatest portion of funds disbursed under the Assessment Contract is attributable.

1.3 Application Processing

Source Documents

When an application is submitted, the following reports are obtained (after obtaining permission from the Property Owner) and reviewed in order to determine Property eligibility for PACE financing per the criteria above:

Required Documents	Description
Credit Report	A report provided by Experian, TransUnion or Equifax containing detailed information on an applicant's credit history, including identifying information, credit accounts and loans, bankruptcies, late payments, and recent inquiries.
Property Profile Report	The Property Profile report is a comprehensive report that summarizes all the information related to the property, including owner, legal description, location, assessment and tax, property characteristics, market sale and sale history, listing data, mortgage history, foreclosure history, owner transfer, and other features.

Lien Report	The liens report shows if the subject property has any of the following involuntary Liens with a balance greater and one thousand dollars: Federal Income Tax, State Income Tax or a Judgment.
Automated Value Model (AVM)	The fair market value is provided from a third-party vendor and must utilize at least three AVM's for each property. The estimated value is derived from the highest confidence score of the Property. If the AVM doesn't provide a confidence score, the value will be calculated from the average of all estimated values.
Government Issued Identification	A government issued identification card or document is required for all property owners of record.
Parcel Boundaries	Boundaries provided by each member jurisdiction identifying the parcels to which the jurisdictions have authority to levy property taxes.
Resolutions	A resolution adopted by a member jurisdiction allowing homeowners to participate in the CSCDA's PACE program.
Tax ID	A tax identification number provided by each participating member jurisdiction authorizing the CSCDA to levy Assessments and receive remittances from property tax collections.

If the information needed to determine an application's eligibility for financing is not found in the Required Documents, the following supplemental documents are obtained:

Supplemental Documents	Description
Mortgage Statements	If the mortgage does not automatically populate on the Property Owner's credit report, a current mortgage statement will be requested.
Utility Bills	If a Property Owner does not have the subject property listed as their address on their government-issued ID, a copy of a utility bill will be requested.
Entity Organizational Documents	Trust documents, LLC or Corporations documents will be requested if the property is held in a corporate entity.
Appraisal and/or Settlement Statements	A third-party appraisal by a licensed appraiser indicating the FMV for the property as of the appraisal date. This report must be dated no more than 6 months prior to the application approval date.

1.4 Ability to Pay – Income, Assets and Debt Determination and Verification

Prior to executing an assessment contract ("Assessment Contract") with a Property Owner, FORTIFI makes a reasonable good faith determination that the Property Owner has a reasonable ability to pay the annual payment obligations for the PACE assessment based on the property owner's income, assets, and current debt obligations, as required by law. FORTIFI also forbids all contractors from executing or beginning work under a home improvement contract that is financed by an Assessment Contract until FORTIFI's ability to pay determination ("Determination") has been made.

FORTIFI may waive the income or asset verification requirement where the application is for PACE funding to finance a heating, ventilation, and air conditioning (HVAC) system, boiler, or other system whose primary function is temperature regulation in the event of an emergency or immediate necessity, only under the terms and conditions set forth in California Financial Code §22687(e).

1.6 Application Decision

Approved with Conditions

An application will be conditionally approved if all the submitted information meets the underwriting eligibility requirements but is incomplete or cannot be verified using the automated underwriting system. It is within FORTIFI 's discretion to request specific types of additional documentation depending on the issues related to the application. Once FORTIFI is satisfied that the correct and complete information has been obtained, verified and meets the eligibility requirements an application can be approved.

Approved

An application will be approved if FORTIFI has verified all of the items listed in the Eligibility Requirements for properties and Property Owners. An "approved" applicant will receive an Approval Letter indicating a maximum approval amount and step-by-step instructions on how to proceed. Once a Property Owner has been approved, they will be provided with the Financing Estimate and Disclosure and the Assessment Contract. An "approved" applicant must comply with all Program requirements during the process or will not be approved for funding at a later date. Approvals are subject to expiration to be determined by FORTIFI at the time of approval.

Declined

An application will be declined if FORTIFI determines the Property Owner or the Property do not meet the Eligibility Requirements. The Property Owner will be notified by email of the specific reason(s) why his or her application was declined. If the Property Owner believes there has been an error based on the stated reasons in the decline notification and is unable to resolve it quickly by contacting FORTIFI, the Property Owner may formally contest FORTIFI decision as described in the Dispute Resolution Section of this handbook.

1.7 Welcome Call – Oral Confirmation of Key Terms

After approval of the PACE financing and before a Property Owner executes an Assessment Contract, FORTIFI makes a live call to a Property Owner that complies with the following state law requirements:

- a) Record the oral confirmation and retain that recording for 5 years from the time of recording.
- b) Ask if the Property Owner would prefer that the call be conducted in another language than English and deliver in that language (if that language is supported by FORTIFI) or via an interpreter chosen by the Property Owner. If the alternate language is not supported or the Property Owner does not choose an interpreter, the call is ended, and the PACE assessment transaction will not proceed.
- c) Ask whether the Property Owner would like to exercise his or her right to have other persons present for the call.
- d) Confirm that at least one owner of the Property has a copy of the Assessment Contract, including the Financing Estimate and Disclosure and the Right to Cancel notice, with all key terms completed with hard copies available upon request. Inform the Property Owner that he or she should review these documents with all other owners of the property.
- e) Confirm each of the key terms of the Assessment Contract in plain language and obtain acknowledgment of these key terms.

- f) Explain that the improvement is being financed by a PACE assessment.
- g) Confirm the total estimated annual costs the Property Owner will have to pay under the Assessment Contract, including applicable fees.
- h) Confirm the total estimated average monthly amount of funds the Property Owner would have to save in order to pay the annual costs under the PACE assessment, including applicable fees.
- i) Explain that the applicable county annual secured property tax bill, which will include the installment of the PACE lien, will be mailed by the county tax collector no later than November 1 each year, and that if the lien is recorded after the fiscal year closes but before the bill is mailed, the first installment may not appear on the county tax bill until the following year.
- j) Explain the term of the assessment contract (i.e. # of years).
- k) Explain that payments on the Assessment Contract will be made through an additional annual assessment on the Property and paid either directly to the county tax collector's office as part of the total annual secured property tax bill (paid biannually), or through the Property Owner's mortgage impound account, and that if the Property Owner pays his or her taxes through an impound account he or she should notify their mortgage lender to discuss adjusting his or her monthly mortgage payment by the estimated monthly cost of the PACE assessment.
- l) Explain that the Property will be subject to a lien during the term of the Assessment Contract that is recorded against the Property and that the obligations under the Assessment Contract may be required to be paid in full before the Property Owner sells or refinances the Property.
- m) Ask the Property Owner whether the Property has received or is seeking additional PACE assessments and confirm that the Property Owner has disclosed all other PACE assessments or special taxes that are or about to be placed on the Property.
- n) Explain that any potential utility savings are not guaranteed and will not reduce the assessment payments or total assessment amount.
- o) Explain that the PACE administrator is not a tax advisor and does not provide tax advice, and that the Property Owner should seek professional tax advice if he or she has any questions about tax credits, tax deductibility or of other tax impacts of the PACE assessment.
- p) Explain that if that property tax payment is delinquent within the fiscal year, the county tax collector will assess a 10-percent penalty and may assess related costs, as required by state law. A delinquent payment also subjects the property to foreclosure. If the delinquent payment continues past June 30 of a given year and defaults, the county tax collector will assess penalties at the rate of 1 ½ percent per month (18 percent per year), and the Property will continue to be subject to foreclosure and may become subject to the county tax collector's right to sell the property at auction.
- q) Explain that the property owner has a three-business day right to cancel the Assessment Contract under state law and that canceling the assessment contract may also cancel the home improvement contract.
- r) Explain that it is the responsibility of the Property Owner to contact the Property Owner's home insurance provider to determine whether the efficiency improvement to be financed by the PACE assessment is covered by the Property Owner's insurance plan.

1.8 Right to Cancel

FORTIFI informs all Property Owners of their right to cancel the assessment contract via the confirmation of key terms call described above, the form of Assessment Contract and the Financing Estimate and Disclosure. If any Property Owner is 65 years old or older, the Assessment Contract may be cancelled at any time on or before midnight on the fifth business day after the date of the transaction to enter into the agreement without penalty or obligation. If the Property Owner is under the age of 65, the Assessment Contract may be cancelled at any time on or before midnight on the third business day after the date of the transaction to enter into the agreement without penalty or obligation.

Waiver of Right to Cancel

In the case of emergency or immediate necessity, the requirements of income and asset verification using third-party records and the three-business day right to cancel may be waived for the funding and recordation of a PACE assessment to finance a heating, ventilation and air conditioning system (HVAC), boiler or other system whose primary function is temperature regulation in a home if all of the following are met:

- a) The funding is limited to the emergency or immediate necessity improvement and any required improvements directly necessary to the installation and safe operation of the improvement.
- b) Any efficiency improvement funded is eligible for PACE financing.
- c) The Property Owner executes a handwritten waiver of their right to cancel that describes the situation that requires immediate remedy, acknowledges that the contractor has informed them of their right to cancel and that is dated and signed by each Property Owner pursuant to subdivision (d) of Section 5940 of the Streets and Highways Code, and confirms, pursuant to Section 5913 of the Streets and Highways Code, the emergency or immediate necessity of the improvement.
- d) The amount of the assessment contract does not exceed fifteen thousand dollars (\$15,000) or a monthly equivalent payment on the PACE assessment of one hundred twenty-five dollars (\$125), as adjusted by any annual increase in the California Consumer Price Index as determined pursuant to Section 2212 of the Revenue and Taxation Code, whichever is greater.
- e) FORTIFI first attempted to use an automated means of verification as described above.
- f) If FORTIFI was unable to verify the Property Owner's income pursuant to such automated verification method, in the confirmation of key terms call, FORTIFI shall ask the Property Owner open-ended questions to identify their income and the sources of their income.
- g) The funding is limited to the emergency or immediate necessity improvement and any required improvements directly necessary to the installation and safe operation of the improvement.
- h) Any efficiency improvement funded is eligible for PACE financing.

FORTIFI shall report annually all PACE assessments that were funded and recorded pursuant to this emergency exception in a form acceptable to the Commissioner of the Department of Financial Protection and Innovation ("DFPI").

1.9 Notice to Proceed

If FORTIFI determines that the financing request meets the Eligibility Requirements, an authorized representative of the Authority will countersign the Assessment Contract and FORTIFI will issue a Notice to Proceed. The Notice to Proceed will be sent by email to the Contractor and Property Owner(s) with the terms and conditions of the approved financing.

1.9.1 Settlement Review

After the project has been completed the underwriting team within FORTIFI will conduct a final review of the project file. Upon completion of the project to the satisfaction of the Property Owner. The Property Owner and the contractor will execute a completion certificate to validate such information and authorize the funding of the project. The contractor will also upload pictures of the completed work to support the assessment.

1.9.2 Physical Inspection

Upon completion of construction, FORTIFI representative will order a physical inspection from a third-party vendor. This inspector will review all eligible improvements associated with the PACE assessment and validate the work was completed in a professional manner and per the specifications in the Assessment Contract, including the project details set forth in the Financing Estimate and Disclosure. Each inspection will note the installed products and provide a photo of the completed work. Inspection will also validate that the work occurred on the property subject to the Assessment Contract with pictures and address verification.

1.9.3 Completion Call

Upon receipt of the executed certificate of completion, FORTIFI representative will conduct a recorded completion call with the Property Owner(s). This call will re-confirm that the Assessment Contract, including the Financing Estimate and Disclosure and all other attachments thereto, was executed properly, the work was completed to the Property Owner's satisfaction, and the Property Owner approves the transfer of the PACE. This is a recorded call that resides with the project file to ensure all parties have confirmed the requirements. Once the Property Owner orally confirms that the work was completed, FORTIFI will transfer the proceedings of the PACE financing to the Contractor.

2 Assessment Servicing

2.1 Recording

The following documents are recorded with the participating county as public record:

Recording Documents: A notice to be sent with the next annual property tax statement sent by county revenue authorities to taxpayers detailing the amount of property tax they owe. Also, a note will be sent to the Auditor-Controller-Treasurer-Tax Collector describing the assessment and Assessment Contract.

Notice of Assessment: A notice describing the Assessment Contract to which the Property is subject, the annual amount of the assessment and the term of the Assessment Contract.

Additional Documents: The Program Administrator may at its own discretion require additional documents for Program financing.

2.2 Annual Tax Collections

Property Owners will repay the principal, interest and applicable fees over the financing term as agreed to and specified in the Assessment Contract. Payment will be billed and paid as a line item on the property tax bill. Failure to repay as agreed will result in additional interest and penalties and may result in foreclosure and sale of the Property.

2.3 Payoffs

Payoff requests process

- Receive payoff request from Escrow officer/title company including:
 - When interest should be calculated to
 - The homeowners name and address, and APN
- Send to David Taussig & Associates (DTA) Attn: Payoff Department to request the calculations for the payoff amount
- Have payment go to our Prepayment Lock Box Account or if not established yet make payment to:

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- Once you receive the payoff invoice from DTA send it back to the Escrow officer/title company to provide to the homeowner
- Follow up with accounting to ensure we received payment before the final cutoff date interest was calculated to and that DTA has released the lien

3 Contractor Enrollment

As required by applicable state law, FORTIFI background checks, trains, enrolls and monitors PACE Solicitors (as defined in the California Financial Code), including home improvement contractors ("Contractors").

3.1 Eligibility Criteria

Criteria	Requirements
Active CSLB License	Contractors may only perform work for which they have the appropriate Contractors State License Board ("CSLB") license in good standing (unless exempt from or not subject to licensure). Upon every project submission, the UW will verify the license is active to approve the contractor.
Insured and Bonded	Contractors must have general liability and worker's compensation insurance and are required to carry a bond in the amount required by the CSLB.
BBB Rating	Must have at least a B+ rating with the Better Business Bureau
Consumer Review	Must have favorable consumer reviews, e.g., an average of 3+ stars on Yelp or similar site. Based on reviews and other information, Contractor must not have: a clear pattern of customer complaints regarding dishonesty, misrepresentations or omissions; a high likelihood of soliciting assessment contracts in a manner that does not comply with applicable law; or a clear pattern of failing to timely receive and respond to property owner complaints.
FORTIFI	FortiFi exercises its right to use its discretion in making a final decision on contractor eligibility
Contractor Agreement	All Contractors must execute a written agreement with FORTIFI that requires compliance with all applicable laws and FORTIFI 's enrollment requirements.

3.2 Onboarding

Prior to activating a Contractor in the system, the ACE assigned to the Contractor and their Regional Sales Director will host a training and kick off meeting. During training, the ACE will explain the requirements of PACE financing and the Program. The ACE will explain the requirements of applicable law relating to PACE financing and guidelines for communicating with property owners regarding PACE. In addition, the ACE will train the Contractor on the workflow and processes of the FORTIFI software for financing of an assessment.

Upon completion of training, the ACE and the Contractor will execute the Contractor Code of Conduct to certify that the ACE provided the proper training and the Contractor received and understood the training.

3.3 Repurchase Guarantee

FORTIFI ensures Contractors it enrolls sign a repurchase agreement to cover issues such as faulty workmanship in order to protect the consumer. If any workmanship issues arise, FORTIFI will provide an inspector to work with the homeowner and Contractor to mediate completion of the Project to the homeowner's reasonable satisfaction before full payment is disbursed to the Contractor.

3.4 Incident Reporting

Incidents that are reported between a Contractor and a homeowner, including all property owner complaints, are recorded by the consumer complaint team. FortiFi will track such issues and discuss proper action for resolution as soon as reasonably practicable. FortiFi will work with the parties involved to ensure the standards of the program are being upheld and to resolve any complaints in a timely manner. If a Contractor is found to be noncompliant with FORTIFI's code of conduct, written agreement or any applicable law, FORTIFI will cancel the enrollment of such Contractor from its Program. As required by law, FORTIFI will notify the DFPI of the enrollment cancellation and withdrawal of any PACE Solicitor in its Program.

3.5 Dispute Resolution

The parties who have signed an Assessment Contract for the Program shall attempt in good faith to promptly resolve any dispute arising out of or relating to any Assessment Contract under the Program by negotiations between FortiFi or his or her designated representative and the Property Owner. Either party must give the other party or parties written notice (sent by certified mail) of any dispute. Within thirty (30) calendar days after delivery of the notice, FortiFi and the Property Owner shall meet at a mutually acceptable time and place and shall attempt to resolve the dispute. If the matter has not been resolved within thirty (30) calendar days of the first meeting, any party may pursue other remedies, including mediation. All negotiations and any mediation conducted pursuant to this clause are confidential and shall be treated as compromise and settlement negotiations, to which Section 1152.5 of the California Evidence Code shall apply, and Section 1152.5 is incorporated herein by reference. Each party is required to continue to perform its obligations under the Assessment Contract pending final resolution of any dispute arising out of or relating to the Assessment Contract.

Property Owners who wish to dispute decision(s) made by the Program or FortiFi, but who have not signed a formal Assessment Contract, shall use a similar process. Written notice must be sent by certified mail to FortiFi at the Address indicated in the Contact section of this handbook. The notice must identify the issue(s) for resolution, the circumstances that surround the issue(s), the section in the Handbook that the issue(s) pertain(s) to, and a timeline of events. Within thirty (30) calendar days after delivery of the notice, FortiFi and the Property Owner shall meet at a mutually acceptable time and place and shall attempt to resolve the dispute. FortiFi shall render a written decision in 30 calendar days and send that decision to the Property Owner. The decision of FortiFi is final. If a meeting and mediation is unsuccessful, the matter will be submitted to arbitration.

3.6 Suspension or Cancellation

If for any reason an enrolled Contractor is misusing the Program, violating the law or its agreement with FORTIFI, such Contractor will be suspended or cancelled from enrollment in the Program. As required by law, FORTIFI will notify the DFPI of the enrollment cancellation and withdrawal of any PACE Solicitor in its Program.