Energy Programs Consortium Releases Assessment of Low-Income Homeowner Participation in California PACE Program

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Key findings include:

- Low-income families are less likely to participate in PACE, and take out slightly smaller principal amounts, than higher income families.

- There is little statistical evidence of PACE contractors systematically targeting low-income areas.

- Low-income families should be made aware of energy grant funding prior to applying for PACE financing. The state of California supports a number of energy-efficiency and renewable grant programs providing a core set of weatherization measures at no cost to families with income of up to about 60 percent of the median income.

  While funding for grant programs is limited, they can provide a base of support for the lowest income families. The PACE program covers a broader set of energy and water savings measures that can complement the grant funding provided by the state and for moderate income families is the only program providing access to capital to improve their homes. The programs do not provide assistance to moderate income families with income between 60 and 80 percent of median and for these families must rely on private capital such as PACE to increase the energy efficiency of their homes.

  The state should provide a form or notice to homeowners at the time of consultation with a contractor to inform them that they might be eligible to receive no-cost weatherization services, depending on their income and the availability of funds. Families would then have the option of using the PACE program to pay for supplemental energy and water measures, thereby reducing their debt and the resulting repayment burden. This approach will ensure that families minimize the need for financing and take advantage of available alternatives to make desired home improvements.

- Qualitative interviews with low-income PACE customers revealed that while homeowners are receiving information about how the PACE program works, and about their PACE financing terms, additional attention should be paid to ensure that communications better explain to the homeowner their repayments, and any additions to escrow required.

The report also makes several recommendations to PACE providers, contractors and state entities to enhance consumer protections for low-income families in PACE. Some of these recommendations have recently been addressed by recent laws passed in California to improve consumer protections in PACE and are in the process of being implemented by the industry. We believe that the lessons learned from this report will help to inform the implementation of these measures. The full report is available [here](#).
According to project director Mark Wolfe, “PACE is the first energy loan program to reach significant numbers of low income homeowners and help them to retrofit their homes. While this is a considerable achievement, our research shows that the next step in the development of the program should be to implement the additional protections outlined in recent California legislation and seek ways to integrate state energy grants programs with PACE to help offset the amount of funds that a family might need to borrow to increase the energy efficiency of their homes.” Mr. Wolfe added that, “grant funding in California while significant is not sufficient to cover a complete set of energy and water savings measures and that the PACE program can provide supplemental financing to provide a comprehensive retrofit for the home.”

This report assesses issues associated with participation by lower-income households in the PACE program by addressing the following questions:

- Does PACE complement existing lower-income grant programs and if not, what changes need to be made?
- What is the average level of debt financed, are annual payments affordable, and how are utility-bill savings factored into the equation?
- Are lower-income families in general satisfied with the quality of work on their homes and if not, what types of improvements need to be made?
- Is PACE an appropriate product for all lower-income families, and if not, what limitations should be placed on its use?

The report contains:

- An overview of the LMI home ownership population including assets, income and relative ability to repay, in California and the U.S. to demonstrate the unique challenges facing lenders reaching that population.
- An analysis of a sample of 25,327 PACE households to assess the size and penetration rates of PACE in low-income households as compared to all PACE customers.
- Findings from telephone interviews with 25 low-income PACE homeowners to better understand those families’ understanding of and response to the Program.

The report was prepared by the Energy Programs Consortium (EPC) as part of an on-going project, Supporting Equitable Access to Residential Energy Finance for Low and Moderate-Income Homeowners. The purpose of the project is to assess, understand the needs of and develop the market for residential energy efficiency and renewable energy loans for LMI households; ensure appropriate access to credit for LMI households; and increase the number and rate of the retrofits that credit can facilitate.

**About Energy Programs Consortium:** The purpose of the EPC is to foster coordination and cooperation among state and federal agencies in the areas of energy policy and program development. EPC is a joint venture of the National Association of State Community Services Programs, representing the state weatherization and community service programs directors; the National Association of State Energy Officials, representing the state energy policy directors; the National Association of Regulatory Utility Commissioners, representing the state public service commissioners; and the National Energy Assistance Directors’ Association, representing the state directors of the Low-Income Home Energy Assistance Program.