

Compliance with the CFPB's Final Rule on PACE Financing will require SCEIP to adhere to a more rigorous set of regulations that will be costly to the County and SCEIP participants. Please see key points of the Final Ruling and corresponding regulations below:

1. Application of TILA and Regulation Z:

- PACE financing is now considered credit under TILA and Regulation Z.
- Lenders must comply with TILA/RESPA Integrated Disclosure (TRID) rule.
- Model Loan Estimate and Closing Disclosure forms are provided: with modifications for PACE transactions.
- Ability-to-repay requirements under Regulation Z apply to PACE transactions.
- PACE transactions are subject to Higher-Priced Mortgage Loan (HPML) requirements.
- Loan originator qualification and compensation requirements apply.
- Right of rescission requirements apply.

2. Ability-to-Repay Requirements:

- Lenders must make a reasonable and good faith determination of a consumer's ability to repay at or before consummation of the PACE loan.
- Lenders must consider eight required factors when determining repayment ability.
- Lenders must verify the information relied upon in determining repayment ability using reasonably reliable third-party records.

3. Disclosures:

- Lenders must provide Loan Estimates and Closing Disclosures to PACE obligors, with modifications to the existing forms.
- The rule includes model versions of the Loan Estimate and Closing Disclosure that are modified to account for the unique nature of PACE transactions.
- The model forms include specific disclosures related to PACE financing, such as contact information for the PACE company, late payment, assumptions, servicing, partial payment, and liability after foreclosure.

4. Other Considerations:

- The rule was mandated by Section 307 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA).
- The rule goes into effect on March 1, 2026.

5. Cost of Compliance: Costs are Pass Thru and paid by Property Owner

There would be a significant increase in pass thru fees for applicants which would make the program less attractive to borrowers. The greater number of legal owners per title per parcel will increase the cost of underwriting per application.

- Estimate of cost for underwriting requirements - \$800 to \$1200 per application (up from \$0)
- Cost of Title Search - \$140 per application (same)
- Cost of Automated Valuation of property - \$16.50 per application (same)
- Recordation of contracts - \$41 per application (same)

Estimated cost for applications with two or fewer owners: \$ 997.50- \$1397.50 (up from \$197.50)

6. Application Timeline Expectation:

- 50 days for Property Owner to submit a complete application
- 10 days for Underwriting to verify credit/TILA and RESPA qualifications
- 5 days for Title Report
- 3-5 days for Approval – Inhouse
 - 2-3 days for Approval – if Steering is required (applications over \$75K)
- 7 days for Contract Signing
- 3-5 days for Rescission period

Total number of days from Application Initiated to Application in Contract 83 days

7. Anticipated decline in applications:

- In 2022 we polled a group of SCEIP applicants to see if they would participate in the program if the application fees were over \$200, \$250-\$400., over \$400.
 - We found that over 50% of the customers would NOT apply to SCEIP if the “out of pocket” application fees exceeded \$400.
 - This data was collected at a time when our interest rate was 5.99%

The Program Staff believes that the cost of the CFPB compliance would cause a dramatic decline in the number of SCEIP applications.