

# Golden State Finance Authority PACE Consumer Protection Policies



(Residential PACE Programs)

(August 17, 2016)

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March 31, 2022

## 1. OVERVIEW

Property Assessed Clean Energy (“PACE”) programs enable a much broader range of homeowners to implement energy efficiency, renewable energy, fire and weather resiliency, water efficiency and seismic safety improvements that increase the value, functionality, and sustainability of their homes. Such improvements (“Improvements” or “Measures”) can make homes less costly to operate, safer, and more comfortable to live in, while simultaneously reducing energy and water consumption. Without PACE Programs many homeowners would have no, or only costlier, access to these Measures.

PACE Programs (“PACE Programs”), including the government authorities sponsoring and administering them and, where applicable, the entities program administrator(s) who help implement them (“Partners”); Partner(s)), provide advice, tools and resources that enable homeowners to make smart, informed and responsible choices regarding such Measures. PACE Programs must be responsible for ensuring that the advice, tools and resources are appropriate and accurate, which means that care must be taken with homeowners before, during and after the origination of Program financing. Consumer protections that serve homeowners must be a core value of PACE Programs and Partners. In this document, “Partner” refers to the government authority in all cases where a Program does not include a third party non-government partner.

Residential PACE Programs in California are regulated by the California Department of Financial Protection and Innovation (“DFPI”). The Golden State Finance Authority (“GSFA” or “Authority”), PACE Program complies with all statutory and regulatory requirements as they become effective. Additionally, the GSFA PACE Program maintains consumer protection policies that meet or exceed the standards set forth by PACENation, addressing the following areas: (1) Eligibility and Risk, (2) Disclosures, and (3) Documentation, (4) Financing Terms, (5) Operations, (6) Post-Funding Support, (7) Data Security, (8) Privacy, (9) Marketing and Communications, (10) Protected Classes, (11) Registered Contractors, (12) Eligible Products, (13) Reporting, and (14) Closing & Funding.

PACE Programs that meet or exceed these standards provide homeowners with a greater level of consumer protection than any other form of PACE financing. The recommended Each Partner implementing GSFA’s PACE Program shall comply with the consumer protection policies set forth herein can help guide PACE Program implementation to ensure homeowners realize maximum benefit. The policies set forth in this document represent the minimum consumer protection standards for GSFA’s PACE Program. In the event that any provision of state or federal law is more protective than the standards set forth herein, GSFA’s Program and each Partner shall comply with such more protective provision.

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GSFA Statement on Public Benefits of PACE Programs:

Thirty-~~two~~seven states and the District of Columbia have enacted legislation enabling PACE programs. PACE programs provide an essential public benefit and contribute to the general public welfare by reducing carbon emissions, improving the quality of the environment, and improving energy and water resiliency of the U.S. building stock.-

PACE programs provide demonstrated public benefit while enabling an unprecedented range of homeowners to access energy efficiency, renewable energy, and water efficiency measures that improve the financial, functional, and environmental aspects of home ownership. Such improvements make homes less costly to operate and more comfortable to live in, while reducing energy and water consumption. Without PACE programs many homeowners would have no, or more costly, access to such benefits.

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## 1. ELIGIBILITY AND RISK

### Policy Summary:—

The GSFA and Ygrene Energy Fund's "Ygrene Works Residential PACE Program (the "Program") blends traditional credit risk considerations together with", administered by Ygrene Energy Fund California LLC as Partner, overlays statutory requirements and with administrative policy objectives to develop specific risk and eligibility criteria for participation in the Program. These criteria take into account the unique risk profile that PACE financing presents to enable qualifying homeowners to access it. While this process will exclude unqualified homeowners and properties, special consideration has been given to develop inclusive standards to the greatest extent possible without undermining consumer protections. The criteria examine four key attributes of every financed project, in addition to the minimum statutory requirements set forth in California law for PACE financing: (1) the real property ("Property") on which the improvements will be installed, (2) the encumbrances presently recorded against the Property, (3) the nature of the improvements to be installed, and (4) the homeowner's mortgage and property tax payment history.

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- 1.1. **Properties.** Consistent with foundational considerations, it is the policy of the Program to make the Program available to the entirety of the existing residential housing stock within the jurisdictional boundaries of the Program. Applicable law governs the eligibility criteria for Properties for which the Consumer Protection Policies (CPP) does and not apply include: (i) commercial all properties (including residential properties comprising five (5) or more units), 1.1. (ii) new commercial properties under construction and (iii) properties that cannot may be subject to an assessment or levy eligible for PACE. The Partner will examine the Property for compliance with the criteria set forth in applicable law. If requested in good faith by a homeowner whose Property has been found ineligible, the Program or Partner may undertake a "second look" eligibility review of the applicant's Property, re-examining the specific attributes of the Property in question and confirming or modifying the original determination.

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- 1.2. **Encumbrances.** The encumbrance profile of properties is an important element in determining whether or not they qualify for Program participation. The Program is designed to harness unused financing capacity of homes in which eligible improvements are installed. Such financing is inappropriate if it burdens properties and their owners too greatly. Accordingly, properties eligible for Program financing will have the following attributes:
- 1.2.1. All mortgage related debt on the Property may not exceed 90% of the Property's fair market value ("FMV"), or assessed value if market value data is unavailable or unreliable, at the time of initial approval;
- 1.2.2. Reliability of the Program FMV model should be derived from residential industry accepted and reputable third-party valuation services;
- The financing may Properties for which the Consumer Protection Policies (CPP) does not apply include: (i) commercial properties (including residential properties comprising five (5) or more units), (ii) new commercial properties under construction

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and (iii) properties that cannot be subject to an assessment or levy.

1.2. Underwriting PACE Program assessments appear as line items on property tax bills and homeowners repay their financing when they pay their property tax bills. Encumbrances on the property, mortgage and property tax payment history of a homeowner of record are, thus, an important factor in determining a homeowner's eligibility to participate in the Program. In California, the requirements for assessment contracts are set forth in Government Code section 53328.1, Streets and Highways Code sections 5898.10 et seq. and 5900 et seq., and Financial Code sections 22680 et seq. Those requirements, together with additional requirements adopted by the Authority, include but are not limited to the following:

- The applicant is the owner of record.
- The property that will be subject to the assessment contract has no recorded and outstanding involuntary liens in excess of one thousand dollars (\$1,000).
- The property that will be subject to the assessment contract has no notices of default currently recorded that have not been rescinded
- The property owner has not been a party to any bankruptcy proceedings within the last four years, except that the property owner may have been party to a bankruptcy proceeding that was discharged or dismissed between two and four years before the application date and the property owner has had no payments more than 30 days past due on any mortgage debt or nonmortgage debt, excluding medical debt, during the 12 months immediately preceding the application date.
- The property owner is current on all mortgage debt on the subject property and has no more than one late payment during the six months immediately preceding the application date and if the late payment did not exceed 30 days past due.
- The property that will be subject to the assessment contract is within the geographical boundaries of the applicable PACE program.
- The measures to be installed pursuant to the assessment contract are eligible under the terms of the applicable PACE program.

~~1.2.3.~~ The financing shall not exceed (A) ~~(i) fifteen~~ 15 percent (15%) of the FMV value of the ~~Property~~ property, up to the first seven hundred thousand dollars (\$700,000) inclusive of the ~~Property's FMV existing assessments~~ and (ii) ~~ten~~ shall not exceed 10 percent (10%) of the remaining value of the ~~Property~~ property above seven hundred thousand dollars (\$700,000) ~~minus (B) any existing PACE assessments on the Property~~.

~~1.2.4.~~ The total PACE assessments and the mortgage-related debt on the underlying ~~Property plus Program financing~~

- ~~may~~ property subject to the PACE assessment will not exceed ~~the FMV~~ 97 percent of the ~~Property~~ and market value of the property as established by the valuation required by Section 22685.

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- The term of the assessment contract shall not exceed the estimated useful life of the measure to which the greatest portion of funds disbursed under the assessment contract is attributable. The program administrator shall determine useful life for purposes of this subdivision based upon credible third-party standards or certification criteria that have been established by appropriate government agencies or nationally recognized standards and testing organizations.
- The property that will be subject to the assessment contract is not subject to a reverse mortgage, as defined in Section 1923 of the Civil Code.
- The total amount of any annual property taxes and assessments shall not exceed five percent of the statutory cap property's market value.
- The homeowner has no delinquent federal or state tax obligations greater than \$1,000.
- The homeowner has reported to the Partner any and all as-established-yet unrecorded encumbrances on the Property and their full amounts, including any contractual assessments or special taxes levied by the relevant PACE law Program, and those verified encumbrances will be included in any calculations of the total amount of debt secured by the Property.

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1.3. **Eligible Improvements.** The Program provides financing for a broad range of eligible products and projects permanently affixed to the Property, the details of which are set forth in Section 11 below. The Program is not available to finance ineligible products and projects, which comprise anything not specified in Section 11, subject to an appeal and review of specific measures on a case-by-case basis by the Partner and/or Program to determine whether the measure nonetheless complies with the requirements of the applicable PACE statutes. While the Program Partner is responsible for confirming compliance with the Section 11 requirements, it is not responsible for determining post-installation energy performance, savings or efficacy of such products or projects. The Program relies on applicable state law. The Partner shall rely on applicable state law, including but not limited to Government Code section 53328.1, Streets and Highways Code sections 5898.10 et seq. and 5900 et seq., and Financial Code sections 22680 et seq., and data and ratings from the U.S. Department of Energy, the Environmental Protection Agency, and other federal and state government agencies and applicable PACE laws in determining what constitutes an eligible Improvement or Measure.

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1.4. **Homeowners.** PACE Program assessments typically appear as line items on property tax bills and homeowners repay their financing when they pay their property tax bills. The mortgage and property tax payment history of a homeowner of record is, thus, an important factor in determining a homeowner's eligibility to participate in the Program. Accordingly, at the time of application, homeowners eligible for Program financing will at a minimum have status and

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payment histories that are consistent with the following:

- 1.4.1. The applicant is the homeowner of record;
- 1.4.2. Property tax payments for the assessed Property are current. Additionally, the homeowner must certify that there has been no more than one late payment for the shorter of (i) the previous three years, or (ii) since the present homeowner acquired the Property;
- 1.4.3. The homeowner is current on all mortgage debt, and does not have an active Notice of Default (NOD) recorded on the property;
- 1.4.4. The homeowner is not currently in bankruptcy; and
- 1.4.5. The homeowner has no involuntary lien(s) recorded against the Property in excess of \$1,000.

## 2. DISCLOSURES & DOCUMENTATION

*Policy Summary: The enforceability of the Program is derived from the documentation established and approved by GSFA, consistent with enabling state legislation. In states where judicial validation proceedings are available, it is considered best practice to complete judicial validation of the Program prior to commencement. The GSFA ~~Ygrene Works~~ PACE program judicial validation was completed on July 22, 2015. Documentation for Program participants ~~should developed or utilized by the Partner shall~~ ensure compliance with these consumer protection policies and must be clear, complete, and fair to all parties. A reader who has spent time with the documentation ~~should develop~~ must have an unambiguous understanding*

*of each and every right, risk and obligation associated with the Program's financing product. PACE is a new and developing form of financing that, while sharing some features of traditional financing, presents new considerations for homeowners. ~~Best practices counsel the Program to~~ The documentation shall disclose traditional "know before you owe" financing terms ("Disclosures" e.g., interest rates, financing term, payment amounts) in compliance with state law and these policies. Disclosures covering the Program financing's specific repayment cycle (typically, annual or semiannual) and the Federal Housing Finance Authority's announcement regarding payoff of Program financing at the time of sale or refinance are among the new considerations. In the end, a homeowner who understands the Program's disclosures will be informed and have a clear understanding of the Program's traditional and non-traditional features.*

- 2.1. **Document Timing.** ~~Before~~ Except in the case of refinancing, before commencement of any Program-financed project, a homeowner must: (i) submit an application; (ii) receive approval of the Measures from the Partner; and (iii) execute documentation covering the terms and disclosures summarized in this Section. Following installation of the Measures, a homeowner must: (i) execute an acknowledgement that the installation of the Measures has been completed satisfactorily; and (ii) receive and approve a final summary of costs and payments. Delivery to and execution of all such documentation by the homeowner is the responsibility of the Partner.

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	<u>for individuals 65 years old or more.</u>
<u>Prepayment</u>	<u>The property owner is allowed to prepay at any time after the first tax payment without penalty. Payment of processing and recording fees are not penalties and are expressly permitted.</u>
<u>Program overview</u>	<u>A document or section of a document that provides a comprehensive summary of the Program, including a summary of a homeowner's rights and obligations</u>
<u>Prepayment Property tax repayment process</u>	<u>The right to prepay the Program financing with clearly defined penalties, if any, depending on the option and terms selected by the homeowner. Description of the property tax payment process and the line item for repayment of the Measures that the Program financed</u>
<u>Tax benefits</u>	<u>A statement that the homeowner should consult their tax adviser regarding tax credits, credits and deductions, tax deductibility, and other tax benefits available.</u>

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The following comprise additional key Disclosures of the Program provided by Partners:

<u>Disclosures</u>	<u>Description</u>
<u>Program overview</u>	<u>A document or section of a document that provides a comprehensive summary of the Program, including a summary of a homeowner's rights and obligations</u>
<u>Property tax repayment process</u>	<u>Description of the property tax payment process and the line item for repayment of the Measures that the Program financed</u>
<u>Tax benefits</u>	<u>Tax credits or benefits associated with the purchase of certain Measures and the annual payments related to them.</u>
<u>Privacy</u>	<u>A notice describing the privacy policies of the Program</u>
<u>Federal disclosures</u>	<u>Those appearing in the Program application</u>
<u>Foreclosure</u>	<u>The risk of foreclosure and the foreclosure process in the event of a homeowner default</u>
<u>Tax lien status</u>	<u>A notice disclosing assessment's status as a tax lien.</u>
<u>Payment mechanics</u>	<u>A description of when the initial payment is due, and how the assessment payments may affect mortgage payments for homeowners with mortgage escrow accounts.</u>
<u>Late payments</u>	<u>A description of the penalties associated with making late payments.</u>
<u>Cost savings</u>	<u>A notice that any potential utility savings associated with the Measures financed by the Program are not guaranteed, and will not reduce the assessment payments or total assessment amount.</u>

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~~2.4. Confirmation of Terms. For all Program financing applications associated with contractors that are either new to the Program or are on a Partner's "watch list" (i.e. those 2.4. contractors that are not "Top Rated Contractors" defined below), it is the policy Before the assessment contract can be signed, at least one owner of the Program that such Partner property must confirm live by telephone with the homeowner applicant each Partner the key terms and information related to the project. The requirements for this telephone call are set forth in Streets and Highway Code 5913.~~

~~Program financing term listed in (b) (h) of this Section 2.4 below. These confirmation requirements do not apply to contractors who have reached the Partner's top rating category (the "Top Rated Contractors"). For Top Rated Contractors, it is the policy of the Program that the Partner conduct randomized calls to homeowners to confirm financing terms.~~

~~Notwithstanding the above, irrespective of the contractor with whom the Program financing is associated, it is the policy of the Program that the Partners confirm live by telephone for each applicant who is over 64 years old the Program financing terms listed in (a) (h) of this Section 2.4 below, and any other special categories of homeowners as designated by the Program. For avoidance of doubt, for homeowners over 64 years old, a voicemail message does not satisfy the requirement of Program financing term confirmation under this Section 2.4.~~

~~When confirming terms of a Program financing with a homeowner, the Partners will request the homeowner to describe generally the improvement(s) being financed using the Program financing, and will ascertain that the homeowner understands:~~

- ~~(a) The reason for the specific improvement(s) being obtained by such homeowner.~~
- ~~(b) His or her total estimated annual payment.~~
- ~~(c) The date his or her first tax payment will be due.~~
- ~~(d) The term of the Program financing.~~
- ~~(e) Any additional fees (including recording fees) that will be charged to him or her.~~
- ~~(f) That payments for the Program financing will be added to his or her property tax bill and will cause the property tax bill to increase.~~
- ~~(g) That he or she may make payments on the Program financing either directly to the county assessor's office or through his or her mortgage impound account.~~
- ~~(h) That before any assessment contract or application (the "Pending Project") is executed, the Partner has asked and the homeowner has confirmed that no Measures other than the Pending Project are underway, and has agreed, at any time before funding of the Pending Project, to inform Partner if homeowner has authorized any new Measures.~~

~~2.5. 2.5-Electronic Document Delivery. If any disclosures, assessment contracts, or other~~

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documents are provided or approved electronically, they must be provided and approved in compliance with California's Uniform Electronic Transaction Act (UETA) or the federal Electronic Signatures in Global and National Commerce (E-SIGN) Act, as applicable. Partners shall, at a minimum, comply with the provisions contained in sections 1620.06 and 1620.07(b)(2) of the DFPI regulations relating to electronic document delivery and approval. During the confirmation of terms call, the Partner shall confirm that the property owner has access to the internet and agrees to accept the documents at an electronic mail address of the property owner's choosing.

**2.6. Lender Disclosure Policy.**— For all program financing contracts, a notification must be sent to all lenders of record outlining the key terms of the project to be undertaken on the Property. This notification shall be transmitted by the partner on behalf of, and with the consent of, the Property Owner.

**2.7. Language Disclosure.** When an application for program financing is submitted, the Partner shall communicate in the same language as the application with the property owner. During the confirmation of terms call, the Partner shall confirm with the property owner their preferred language. . If the language is other than English, the Partner shall provide translation of all program documents and oral confirmation calls in accordance with Streets and Highways Code section 5913.

**2.8. Completion of Project.** Before signing for completion of the project, and prior to any final payment being made to the contractor, at least one owner of the property must confirm live by telephone with the Partner each of the of the eligible improvements financed, including any which were added during the course of the project, the total amount to be paid to the contractor and the total final amount financed under their finance contract.

### 3. FUNDING

*Policy Summary: PACE is a new form of financing that, while sharing some features of traditional financing, presents new considerations for financing capital sources and structures. Best practices counsel the Program to The Partner shall proactively solicit feedback from Program stakeholders and homeowners- and incorporate things learned into policy improvements which benefit homeowners.*

**3.1. Interest Rates.** It is the policy of the Program that Partners **must** offer fixed simple interest rates and payments that, whether they are level or vary over the term of financing, fully amortize the obligation. Variable interest rates or negative amortization

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financing terms are not permitted.

3.2. **Sustainable Funding Source.** It is the policy of the Program that Partners **must** establish a sustainable source of capital for funding PACE projects separate from the Authority's **general fund/funds** or budget and have access to capital markets to ensure funding for qualified projects is available on a consistent basis. A Partner **must** demonstrate the capacity to fund assessments that the Program and Partner anticipate originating through such Partner over a six (6) month period immediately following the Program's review of such Partner's financial statements.

3.3. **Subordination.** For Programs in states with senior lien PACE statutes, -a- Program and/or its Partners may accommodate owners of PACE assessed homes and prospective buyers of such homes by offering to subordinate certain of its/their rights derived from the PACE assessment lien to the lien of a mortgage or deed of trust. The subordination may provide the lien under a mortgage or deed of trust with senior rights such that the lender will be induced to provide a mortgage loan on a PACE-assessed property. The subordination option may be made available to homebuyers and homeowners in accordance with policy agreed upon by the PACE Program and the Partner.

3.4. **Contractor Fees.** It is the policy of the Program that Partners can only charge fees to contractors offering Program financing as long as Partners (i) clearly and conspicuously disclose such fees to homeowners and (ii) require that contractors absorb such obligations and not pass such fees on to homeowners.

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#### 4. OPERATIONS

*Policy Summary:* Operations refers to the staff, procedures, and systems that Partners use to deliver the Program to homeowners and provide them with ongoing support. For Partners, operational competence rests on the ability to perform well in a range of areas and disciplines, such as accounting, finance, capital markets, risk assessment, legal, compliance, government affairs, municipal engagement, training, marketing and sales, contractor engagement, business development, and corporate development. While each operating unit component of the Program incorporates thoughtful and highly effective consumer protections in the work it produces, Operations is the gatekeeper, responsible for assuring that the Program has the people, processes, tools and technology necessary to deliver to homeowners the Program financing product, as well as the consumer protections described in these Policies.

##### 4.1. Operational Consumer Protection Policies. ~~This~~ is the policy of the Program and

~~that~~ Partners will shall provide, people and develop processes, tools and technology necessary to support the consumer protection measures described in detail elsewhere in this policy, including: (i) risk and underwriting processes; (ii) terms and documentation delivery systems; (iii) documentation, maintenance and retrieval processes; (iv) disclosure development, delivery and acknowledgment receipt; (v) post-funding support for homeowners and other stakeholders such as real estate professionals; (vi) data security measures; (vii) privacy policy development and protections; (viii) marketing and communication oversight; (ix) protected class data and communication processes; (x) contractor management and engagement; (xi) eligible product database and/or list development and maintenance; (xii) implementation of the maximum financing amounts; (xiii) key metrics reporting; (xiv) closing and funding processes (including the ability to fulfill financing obligations); (xv) examination data production; and (xvi) implementation of procedures to identify and prohibit conflicts of interest within and associated with the Program.

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4.2. Each partner shall enroll in, and meet all requirements of, the Property Assessed Clean Energy Loss Reserve Program administered by the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA). Where CAEATFA requirements conflict with state laws, state law shall apply. Partners shall provide the Authority with copies of all semi-annual reports submitted to CAEATFA.

## 5. POST-FUNDING HOMEOWNER SUPPORT

**Policy Summary:** A public/private partnership is at the core of the Program. This partnership carries with it elevated consumer protection responsibilities that apply to the Program with as much significance during the post-funding period as they do during the time of application and origination. ~~Establishing and operating~~ Requiring Partners to establish and operate an executive office responsible for customer care that responds to inquiries, complaints, contractor and workmanship concerns, product performance questions and related matters for the lifecycle of the improvements financed is fundamental to the consumer protections that the Program provides.

5.1. **Proactive Engagement.** It is the policy of the Program that ~~the Program and its~~ Partners shall proactively monitor and test the consumer protections delivered to homeowners, and to request feedback from homeowners and contractors to identify areas in need of improvement.

5.2. **Onboarding.** It is the policy of the Program that Partners shall develop and implement a post-installation onboarding procedure for homeowners to reinforce key characteristics of the Program, such as those highlighted in the Program disclosures.

5.3. **Payments.** It is the policy of the Program that each Partner shall have ~~disclosures and~~ resources ~~in place~~ readily available to resolve any homeowner questions regarding payments. The Program requires that each Partner implement procedures for responding to requests for prepayment of their PACE property tax assessment in a timely and complete manner, matters regarding impound account catch up payments, payment timing inquiries and payment amount reconciliation among others.

5.4. **Inquiries and Complaints.** It is the policy of the Program that its Partners shall receive, manage, track, timely resolve, and report on all inquiries and complaints from homeowners. This policy ~~contemplates~~ requires that Partners have an ability to perform inspections, meet with homeowners and contractors, investigate matters, and mediate resolutions with homeowners and contractors. Partners must proactively work to resolve

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GSFA Residential PACE Consumer Protection Policies  
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inquiries and complaints in a reasonable and timely manner and in accordance with the Program guidelines and must make communication for homeowners available during regular business hours by phone, email and facsimile communication. Partners will also maintain inquiry and complaint processes as required by state law. Such inquiry and complaint processes, including any changes thereto, shall be submitted to the Authority for review.

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5.5. **Real Estate Transactions**. It is the Program's policy that Partners shall develop capabilities to assist homeowners who are refinancing or selling their Properties. The Partner must support real estate professionals providing services to refinance and sales transactions for properties with PACE assessments.

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## 6. DATA SECURITY

*Policy Summary: Trust is fundamental to any financing relationship, and Program financing is no exception. The public/private partnership at the center of the Program, as well as the confidential relationship homeowners have with a Program Partner mandate that any market-ready Program be in robust compliance with sturdy cyber-security standards, and in particular develop secure and tested processes that protect homeowner personal identifiable information at points of potential vulnerability, especially during the application process.*

**6.1. Information Systems.** It is the policy of the Program that each Partner develop and comply with secure and tested processes to protect the personal identifiable information of the homeowner described in Section 7 below. Security policies and practices utilized are to, at a minimum, comply with all applicable government laws and regulations for the protection of personal data and information as well as remain current with applicable industry standards. Security measures and practices, including but not limited to those listed below, are subject to audit as directed by the Authority.

**6.1. Information Systems.** Each Partner is required to develop and comply with secure and tested processes to protect the personal identifiable information of the homeowner described in Section 7 below, including:

- 6.1.1. A cyber-security policy and protocol that, at a minimum, requires data encryption “during transmission” and “at rest,” and compliance with sturdy cyber-security standards.
- 6.1.2. A protocol for access to information based upon job function and need-to-know criteria.
- 6.1.3. Measures that protect the security and confidentiality of consumer records and information, including, without limitation, requiring all computers and other devices containing any confidential consumer information to have all drives encrypted with industry standard encryption software.
- 6.1.4. Monitoring and logging all remote access to its systems, whether through VPN or other means.
- 6.1.5. Data security policies that are subject to auditing and penetration testing conducted by an independent auditor hired by the Partner and approved by the Authority at least annually and. Such audits shall be conducted upon request of the Authority, made not more than once per calendar year, and any time a change is made that may have any potential material impact on the servers, security policies or user rights. Copies of all audit reports shall be provided to the Authority upon

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6.1.6. Ensuring minimum viable configurations are in place on all servers. All firewalls should have continuous logging enabled. In addition, access control lists and audited server configurations should be used to ensure that data security is maintained.

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~~Security policies and practices utilized are to, at a minimum, comply with all applicable government laws and regulations for the protection of personal data and information as well as remain current with applicable industry standards. Security measures and practices are subject to audit as directed by the Authority.~~

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6.2. **Personnel.** Each partner is responsible for:

6.2.1. Informing and enforcing compliance with the Program's data privacy and security policies on the part of every employee, contractor, vendor, agent, service provider, representative, and associate who is exposed to personal identifiable information of homeowners.

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~~6.2.2. Implementing protections and controls to prevent unauthorized copying, disclosure, or other misuse of sensitive consumer information.~~

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## 7. PRIVACY

*Policy Summary: The trusting and confidential relationship that exists between homeowners and the Program extends to the Partners' use of homeowner data. Compliance with the Gramm-Leach-Bliley Act as well as the establishment of clear opt-in and opt-out protocols for information sharing are the pillars of the Program's privacy policy. More broadly, the Program must ensure that Partners protect and manage sensitive consumer information, respect the privacy of all homeowners, and implement robust controls to prevent unauthorized collection, use and disclosure of such information. These protections are subject to the limitation that property owner names, property address, special tax or assessment amount, payment amount and other terms of the PACE financing are public information consistent with property tax law.*

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7.1. **Privacy Policy.** The Program obtains sensitive personal identifiable information (e.g., full name, home address, social security number, date of birth) from homeowners as part of the Program application process or through other homeowner touch points with the Program. It is the Program's policy that each Partner shall develop and deliver to homeowners prior to receipt of such personal identifiable information, a privacy policy that complies with state and federal law (e.g., the Gramm-Leach-Bliley Act). The privacy

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policy must expressly prohibit sharing personal identifiable information with third parties without the homeowners' express authorization except where expressly permitted by state and federal law. Such privacy policy will cover (i) the sources from which sensitive consumer information is obtained, (ii) the Partner's use of sensitive consumer information, and (iii) a mechanism by which a consumer may opt-out of sharing information. The Partner will deliver to homeowners any updates to such privacy policies.

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**7.2. Application Process.** It is the policy of the Program that all personal identifying information provided by a homeowner to a Partner during the application process is provided directly by the homeowner to the Partner. The Partners will establish processes and controls to ensure that personal identifiable information of a homeowner is obtained directly from such homeowner (or his verifiable their documented legal representative or attorney in fact) and not from a contractor or other third party. Neither the contractor nor any Affiliated Individual may act as the homeowner's legal representative or attorney in fact.

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## 8. MARKETING & COMMUNICATIONS

*Policy Summary: Clear, informative, truthful, balanced, transparent and complete communications are essential for the Program. The stakeholders of any Program include homeowners, contractors, the governing authorities, government officials and staff, investors, finance partners, real estate professionals, mortgage lenders, and its Partner(s) among others. Communications or acts and practices that mislead stakeholders, add ineligible expense to PACE financing or to the Program, abuse stakeholders, or otherwise fail to meet the core communication standards of appropriateness for the Program, are not acceptable.*

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**8.1. Laws and Regulations.** The Program shall comply with all state laws and regulations.

**8.2. Prohibited Practices.** The Program prohibits Partners and contractors from engaging in practices that are or could appear to be unfair, deceptive, abusive, or misleading, violate federal or state laws or regulations, provide tax advice, or are in any way inappropriate, incomplete or inconsistent with the Program's purpose. Marketing

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**8.2.1.** Partners and Contractors are expressly forbidden to: (i) suggest or imply in any way that PACE is a government assistance program, (ii) suggest or imply that PACE is a free program, (iii) suggest or imply that PACE does not involve a financial obligation that the homeowner must repay, (iv) use

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Program financing, including affirmative statements or claims as to the tax deductibility of the PACE payments. Homeowners are encouraged to seek the advice of an expert regarding tax matters related to the Program. The Program Partner shall monitor and test the sales practices of employees and contractors to confirm adherence to the policy set forth in this Section 8.34.

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8.4. **Payments in Exchange for Financing. — to Contractors.** It is the policy of the Program that no Partner

8.5. **may provide a direct cash payment, monetary incentives, gifts, or other thing of material value to a Registered Contractor or Affiliated Individual (as those parties are defined in Section 10) in exchange for or related to such contractor or Affiliated Individual's (i) signing up or continuing to work), except in strict accordance with such Partner or (ii) offering Program financing to a homeowner. For avoidance of doubt, the limitations provided in this Section 8.4 are not intended to prevent a Partner from either (A) paying for co-marketing materials that name the Partner applicable law (including, without limitation, Streets, and the Registered Contractor to whom such payment is made after the Partner receives receipt(s) from the Registered Contractor evidencing the amount spent on such co-marketing or (B) providing a Registered Contractor or Affiliated Individual with other non-cash things of value that by their nature directly contribute to the value of the Program. Highways Code section 5923).**

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## 9. PROTECTED CLASSES

*Policy Summary: Each Partner must ensure compliance with all state and federal laws that cover individuals in protected classes, including those based on but not limited to race, religion, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, national origin, veteran or military status, citizenship, presence of children, disability, age, veteran, primary language, immigration status, participation in a public assistance program, or because an applicant has in good faith exercised any right under the Consumer Credit Protection Act. Heightened protections for homeowners over 6465 years old of age or older, such as confirming understanding of financing terms and project specifications, is a specific requirement of the Program. Unintentional non-compliance will not excuse a failure to comply with all state and federal laws regarding protected classes.*

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9.1. **General.** The Program requires that Partners develop controls and methods to monitor and test compliance with all state and federal laws covering homeowners in protected classes.

9.2. **Elders.** Each Partner must develop and implement a protocol to ensure that all

homeowners ~~over 64~~65 years of age ~~or older~~ understand the purpose of each Measure for which Program financing is sought, and the terms of such financing as described in Section 2.4.

9.3. **Financing Application Access and Decisions.** It is the responsibility of the Partner to provide legally unbiased access to and decisions regarding Program participation to all applicants for Program financing.

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## 10. REGISTERED CONTRACTOR REQUIREMENTS

*Policy Summary: Contractors and their ~~sales persons~~ salespersons are one of the primary means by which homeowners become aware of Program participation options. Contractors and their ~~sales persons~~ salespersons enter into contracts with a Partner, and register with all relevant state and local licensing boards and agencies. Partner shall require that Contractors are required to complete training courses, follow a code of conduct, maintain*

*insurance, post bonds, follow marketing requirements, among other obligations, all of which are designed to assure positive and productive homeowner interaction with the Program. In California, all contractor companies who will offer PACE must enroll with the DFPI through the Program Administrators. These are known as "PACE Solicitors", and their individual salespeople who will be discussing the financing with the property owner (referred to as "PACE Solicitor Agents") must also enroll with the with the DFPI through the Program Administrator. It is against the law to solicit residential PACE financing without enrolling as a PACE Solicitor and/or PACE Solicitor Agent.*

*In addition to the Contractor policies listed below, all Contractors who wish to sell Program financing to homeowners must enroll as Solicitors and/or Agents. Partners shall perform enrollment, monitoring, and termination for Solicitors and Agents in accordance with State requirements in addition to meeting the requirements below.*

10.1. **Policies.** It is the policy of the Program that all contractors who sell, install, or manage subcontractors who install eligible Measures will have become "Registered Contractors" ~~with the Program.~~ (may be referred to as "authorized contractors") with the Program. The

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Partner shall be responsible for all aspects of enrollment, monitoring, and termination of Registered Contractors, Registered Contractors and all of their employees, entities, owners, partners, principals, and sub- contractors (collectively, the “Affiliated Individuals”) must meet the requirements of the Program, which include:

~~10.1.1. Compliance with any relevant state contractor code of conduct, attached hereto as Attachment B;~~

10.1.1. Compliance with the Program’s Contractor Participation Agreement with the Partner, which shall be developed and periodically updated by the Partner. The Contractor Participation Agreement, including any changes thereto, shall be submitted to the Authority for review.

10.1.2. Maintenance of an active license, and being in good standing, with any relevant state licensing board, as well as maintenance of insurance and an ability to meet bonding requirements;

10.1.3. Oversight and management of employees, independent contractors, and subcontractors who provide services to Registered Contractors accessing the Program;

~~10.1.4. Meeting all other state and local licensing, training and permitting requirements;~~

10.1.5. Compliance with the Program’s marketing policies; and

~~10.1.6. Ensuring all Affiliated Individuals register with the Program, including 10.1.6. completing the Program’s identity verification procedures.~~

10.1.7. Contractors shall confirm that they have read these Consumer Protection Policies.

~~10.2. New Contractors.~~ Regarding Registered Contractors new to the Program, it is the

10.2. policy that the Partner:

10.2.1. Has a specified probationary period (i.e., place the new Registered Contractors on a watch list) until the new Registered Contractors have completed the required number of Measures;

10.2.2. Has procedures in place, during the Registered Contractor probationary period, to provide additional quality assurance steps for Measures completed by the Registered Contractors on the watch list; and

10.2.3. Has procedures in place to review Registered Contractor work to confirm satisfactory completion of projects conducted during the probationary period

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10.2.4. Have procedures in place requiring each Registered Contractor to identify one or more authorized representatives with authority to act on behalf of the contractor.

10.2.5. Have procedures in place to verify the ownership of any account(s) to which contractor payments will be submitted and any changes to such accounts.

10.2.6. Have procedures in place for requiring that each Registered Contractor use a home improvement contract which complies with all applicable laws and regulations and that the Registered Contractor submit a copy to the Partner upon request.

103 **Contractor Management.** It is the policy of the Program that the Partner implement contractor management systems and procedures that manage and track contractor training, homeowner complaints, and compliance violations on an individual and company basis. The Partner will maintain and implement a policy that requires all contractors be reviewed for compliance and risk criteria on an ongoing basis. This policy and the associated compliance and risk criteria, including any changes thereto, shall be submitted to the Authority for review.

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104 **Contractor Training.** ~~In addition to any training required by state law,~~ it is the policy of the Program that each Partner make available contractor training regarding, at a minimum, the following: (i) the applicable contractor code of conduct terms as required by the Program, (ii) protected classes, including, without limitation, elder protection, and (iii) other consumer protection measures as required by the Program.

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105 **Remedial Action.** ~~Following its reasonable due process procedure,~~ Partners ~~may will~~ warn, suspend ~~or,~~ terminate ~~or take other appropriate action with respect to~~ a Registered Contractor ~~and/or Affiliated Individual from the Program~~ based on violations of ~~these policies or at the discretion of the any~~ Program requirements, in accordance with documented procedures. Each Partner ~~in the best interest~~ must implement processes for the review and documentation of alleged violation(s) of ~~homeowners~~ a Registered Contractor ~~and the Program,~~ if applicable, the suspension and/or termination of such Registered Contractor ("Disciplined Contractor"). The Program does not accept Program applications ~~processed provided by suspended or terminated contractors and/or associated representatives~~ that the Program terminated in accordance with this Section 10.5.

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## 11. ELIGIBLE PRODUCTS

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**Policy Summary:** The Program enables and encourages homeowners to install Measures which are permissible under state law and designed to save energy or water, generate renewable energy, or produce other public benefit (e.g., seismic retrofits, or fire resiliency). The Program Partner is responsible for implementing practices and controls (e.g., eligible product databases and product confirmation processes) to ensure that Program financing is used only for eligible Measures, and that it is not provided for ineligible ones. Program product eligibility criteria ensure that property owners are financing improvements which are industry recognized for achieving higher levels of home energy or water efficiency, renewable energy generation, seismic retrofits, wildfire safety improvements, or other, state specific approved Measures. While the Program Partner is responsible for confirming compliance with the initial capacities of such products, it is not responsible for determining post-installation energy performance, savings or efficacy of such Measures.

- 11.1. **Policies.** Consistent with the objectives of the PACE enabling legislation, it is the policy of the Program through consultation with the Partner and shall do all of the following, subject to approval of the Authority to:
- 11.1.1. Establish and maintain a publicly available eligible products database and/or list, documenting the associated eligibility specifications for each product that conform to the requirements outlined in Attachment C hereto the Partner's California Residential Qualifying Improvements List. The List, including any changes thereto, shall be submitted to and approved by the Authority;
  - 11.1.2. Define a process for adding to or modifying the eligible product database and/or list, which shall include making any changes directed by the Authority;
  - 11.1.3. Ensure that eligible product energy efficiency/water efficiency/energy generation (as applicable) performance standards are calibrated and verified using performance criteria that the U.S. Department of Energy, U.S. Environmental Protection Agency, and/or other federal and state agencies, or other reputable parties have established;
  - 11.1.4. Use credible third party sources to determine the useful life of each installed product, which will be used to set the maximum term for financing from the Program; and
  - 11.1.5. Require that each product is permanently affixed to the Property.

- 11.2. **Procedures.** It is the policy of the Program that the Partner must establish procedures confirming that the homeowner applying for Program financing intends to install/verify eligible products, and that at the time of funding such improvements

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have been installed. Measures as follows:

11.2.1. Before providing a Contractor with the notice to proceed, confirm that the Measures scheduled to be installed using Program financing comprise only items appearing on the eligible products database or list.

11.2.2. Confirm that at the time of final funding such improvements have been installed.

11.3. **Ineligible Products.**

- 11.3.1. Financing of ineligible products under the Program is prohibited.
- 11.3.2. Products that are not included on the eligible products list or in the eligible products database can be submitted for review by the Program Partner, if a homeowner has reason to believe they should have been included. Such requests will be processed in accordance with Section 11.1.2.

**12. MAXIMUM FINANCING AMOUNT**

*Policy Summary:* Many homeowners cannot readily access price information regarding the installation of energy efficiency, renewable energy and water conservation improvements for their homes, and cost often is a key economic consideration. While the Program does not set price controls, it implements procedures to monitor conformance with generally accepted market pricing ranges.

The Program's maximum financing amount policies provide as follows:

- 12.1. It is the policy of the Program that Partners shall develop generally accepted market pricing ranges based on market data and each Partner's experience, but not to set pricing for installation of eligible products and projects. In evaluating project pricing, the Partner takes into account regional factors that may contribute to the pricing of improvements.
- 12.2. It is the policy of the Program that each Partner will, at a minimum, establish generally accepted market pricing ranges for each product type (e.g. for central air conditioners, solar PV systems, solar thermal systems and artificial turf) and maintain pricing controls to ensure such pricing falls within reasonable market range. The Partner's guidelines for establishing such market pricing ranges, including any changes thereto, shall be submitted to the Authority for review.
- 12.3. There is a low to high range of justifiable pricing, depending on the particular product within a product type (e.g. there may be different types of central air conditioners,

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solar PV systems, solar thermal systems and artificial turf). It is the policy of the Program that each Partner will establish product/project attribute related pricing rules, consistent with and in consideration of the key product pricing attributes that dictate what pricing within such low to high range is justified. The product/project attribute related pricing rules, including any changes thereto, shall be submitted to the Authority for review.

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12.4. It is the policy of the Program that each Partner must establish processes and systems for purposes of enforcing the generally accepted market pricing ranges (as described in Section 12.3) for every project.

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12.5. A product may only be funded for an amount that is justified by reasonable standards that are validated and documented through processes and systems acceptable to the Authority.

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12.6. A Registered Contractor may not provide a different price for a project financed under the Program than the contractor would provide if paid in cash by the property owner.

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12.7. The Program will comply with all statutory and regulatory requirements related to eligible pricing as applicable.

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### 13. REPORTING

*Policy Summary:* Reporting the economic and environmental results of Program participation is essential for the Program, Partners, elected officials, environmental agencies, the investment community, the real estate and mortgage industry and many other stakeholders. Metrics such as economic stimulus dollars invested, greenhouse gas reduction, the number of Measures funded, the amounts funded, renewable energy production and energy & water savings serve this need. The Partner is responsible for producing, on a quarterly basis, a key metrics report.

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13.1. Reporting Categories. In addition to any reporting requirements established by law, including but not limited to Streets and Highways Code section 5954, it is the policy of the Program that Program statistics reporting and estimated impact metrics in the following categories be developed and reported quarterly to the Authority: (i) number of projects funded, (ii) project amount funded, (iii) estimated amount of energy savings, (iv) estimated amount of renewable energy produced, (v) estimated amount of water savings, (vi) estimated amount of greenhouse gas emissions reductions, (vii) seismic safety improvements installed and (viii) estimated economic stimulus and number of jobs created.

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13.2. **Reporting Standards.** It is the policy of the Program that all data collected for the quarterly metrics reports be developed and collected using standardized, third party verified methodologies satisfactory to the Authority. The methodologies and supporting assumptions and/or sources must be made available to the Authority by the Partner. It is the responsibility of the Partner to develop reports consistent with each of the categories listed above and to test and verify the data collection and reporting methods and models used. All reports shall include only aggregate data, excluding any sensitive customer information.

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#### 14. CLOSING & FUNDING

*Policy Summary:* The Program provides limited purpose financing to homeowners, and not general purpose financing that is common among traditional sources of financing. The Program has front-end (e.g., eligible ~~product call in~~ Measure verification requirements) and pre-funding (e.g., completion, certificates and permits) procedures designed to confirm that their financing dollars are used for permissible purposes. A policy requiring such procedures is essential to protect the integrity of the Program.

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14.1. **Installation Completion Sign-off.** ~~In addition to any requirements established by state or federal law, it~~ is the policy of the Program ~~to that the Partner must~~ confirm, before

14.1. funding, that the eligible products financed are installed, and operational ~~and in a condition that is acceptable to the homeowner and the contractor,~~ and to require that the homeowner and the contractor attest to such by signing a document stating that all products have been installed ~~to the homeowner's satisfaction and~~ in accordance with product specifications. It is the responsibility of the Partner to confirm any such document is signed within the maximum allowable installation time as specified by the Program.

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14.2. **Permits.** It is the policy of the Program for homeowners seeking Program financing to obtain required permits for the installation of Measures and provide verification, thereof upon request. Each permit must be signed off by the issuing authority as evidence of project completion.

14.3. **Funding.** It is the policy of the Program to disburse funds only for specified phased payments or progress payments for completed phases, or for projects that are fully completed.

14.4. **Recording.** It is the policy of the Program to record the Notice of ~~Assessment and Payment of Special Tax/Contractual Assessment Required documentation Lien~~ in a manner consistent with state law.

14.5. **Asset verification.** It is the policy of the Program ~~to that Partners shall~~ confirm that

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product(s) listed on the Completion Certificate and for which Program financing has been provided have been installed ~~including using proof consisting of one of the following:~~ proof of completion by geolocated photos, verification of final building permits, inspection by the City or County Inspector, or inspection by other third-party inspector and that the approved by the Authority. Geolocated photos used for asset verification shall be submitted to the Partner through a secure system that incorporates measures to ensure the authenticity of the image and its location. The Partner shall further develop and implement a randomized audit protocol which shall annually review at least 5% of all projects financed by the program that year. Audits shall include, at a minimum, permit validation, project file review, and contractor account level review, and may include onsite inspection if indicated by risk criteria set forth in the protocol acceptable. The protocol, including any changes thereto, shall be submitted to and approved by the Authority.

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