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Chair Bellino  
164 Capitol Building  
PO Box 30014  
Lansing MI 48909-7514

Dear Chair Bellino and Members of the Energy Committee:

We write in support of Representative Outman’s “Residential Property Assessed Clean Energy Act” ([HB 5878](#)), which will help Michigan residents afford energy efficiency retrofits to keep our homes warm in the winter, plumbing retrofits to ensure our drinking water is safe, and clean energy retrofits to protect the air we breathe.

We are eager to see this bill enacted this year because the Residential PACE program, once fully implemented, will create tens of thousands of local jobs, save homeowners millions on their energy bills, and abate millions of tons of carbon from the atmosphere.<sup>1</sup>

### **Benefits of Residential PACE**

Residential PACE provides homeowners an affordable financing option, including low interest rates, fixed interest rates, long payment period, and low monthly payments, for certain home improvement projects that provide a public benefit. HB 5878 establishes the eligible improvements as the following:

- Energy efficiency improvements, such as insulation and heating and air-conditioning systems.
- Renewable energy systems, such as solar power.
- Environmental hazard projects, such as mitigating lead in potable water systems, storm resiliency projects, and connections to a central sewage system.

Residential PACE financing is also more accessible than other forms of home improvement financing because eligibility is not dependent on a homeowner’s credit score and is instead based primarily on the property value, amount of equity in the property, the homeowner’s ability to repay the financing, and the homeowner’s mortgage and property tax payment history. HELOCs, personal home improvement loans, and credit cards rely on the homeowner’s FICO scores, and are therefore not available or are too expensive for many homeowners.

Residential PACE financing is repaid as an assessment on the homeowner’s property tax bill. PACE assessments are treated just like any other assessment on a property – the homeowner will see the PACE assessment as a line item on their property tax bill, and the assessment is collected seamlessly as part of the regular property tax billing process. This setup enables PACE providers to offer low interest rates, fixed interest rates, and affordable monthly payments to a broad segment of homeowners.

Residential PACE is an expansion on Michigan’s very successful Commercial PACE program, which is helping business owners in 29 counties.

### **Nation-Leading Consumer Protections**

Several years of data from over 300,000 PACE assessments shows that the property assessment mechanism reduces the risk of default – fewer than 0.01% of homeowners (or 1 in 10,000) fail to pay their R-PACE assessment, a rate that is far lower than the default rate on mortgages. Importantly, if a homeowner defaults on a mortgage, the entire balance of the mortgage “accelerates” and becomes due instantaneously. In contrast, because PACE financing is repaid as an assessment, the remainder of the balance does not accelerate, and the amount that is owed is only that tax year’s payment and any past-due amounts.

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<sup>1</sup> See PACE Enabled World report *available at* <https://paceenabledworld.pacenation.org/#economic-benefits-map>



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HB 5878 would also establish stringent consumer protections in statute, which further protects our State's seniors and low-income households in rural or disadvantaged communities.

### **Job Creation & Economic Impact**

In 2019 the University of Southern California Schwarzenegger Institute published a rigorous study which assessed the economic impacts of PACE programs in California and Florida.<sup>2</sup> A 2021 report by PACENation scaled those results to Michigan and found that a robust Residential PACE program that reached fifteen percent of homeowners over the next two generations will create over 250,000 jobs, predominantly in the construction and manufacturing fields. The program would also add more than \$30 billion in economic activity to the State, without requiring taxpayer funds.

For these reasons, we urge you to pass this legislation through the House this year.

Sincerely,

Mary Luévano, Acting Executive Director  
PACENation

Leah Wiggs, Vice President of Government Affairs  
Renew Financial Group LLC

Chris Nard, CEO  
FortiFi Financial, Inc.

Robert Giles, CEO  
Home Run Financing

Mark Scheffel, Vice President of Government Affairs  
Ygrene Energy Fund

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<sup>2</sup> See, Adam Rose, Dan Wei, [Impacts of the Property Assessed Clean Energy \(PACE\) program on the economy of California](https://doi.org/10.1016/j.enpol.2019.111087), Energy Policy, Volume 137 (2020), available at <https://doi.org/10.1016/j.enpol.2019.111087>