

# titleTALK



Dear Michael Saunders Agents and valued customers,

In an effort to promote energy efficiency, PACE financing is becoming available in our area. This allows homeowners to finance qualifying improvements falling under energy efficiency.

In this newsletter, we discuss what items qualify, the disclosure requirements by the seller and how it affects closing on a property participating in this type of financing.

Sincerely,  
Laura Bowers, Managing Director

## PACE Property Assessed Clean Energy

While there is a multitude of information out there, we wanted to streamline this for you to provide you what you need to know and how this could impact your seller or listing.

### What is PACE?

Long-term financing mechanism underwritten by government to promote:

- Energy-efficient products
- Renewable energy

PACE financing is available in several cities and counties throughout Florida. In our market area, the following counties have agreed to participate in the PACE program.

- Charlotte
- Manatee
- Sarasota

### What improvements qualify under PACE?

- Roofs; storm shutters; insulation; A/C systems; windows; electric vehicle charging equipment; solar, hydrogen, geothermal, wind, and bioenergy; secondary water barriers; opening protections; hot water heaters; energy-efficient appliances.

### How does the financing work?

There are 4-5 companies that offer PACE programs in the State of Florida that are funded through banks and provide the financing. Repayment is spread out over 5- 25 years and is repaid in the owner's property tax bill as a non-ad valorem assessment.

Requirement of owner/seller – Seller to give written disclosure of assessment to prospective purchaser at or before execution of the contract Sec. 163.08(14) F.S.

(Be on the lookout for a specific addendum disclosing PACE financing from FRBAR very soon.)



Fourth Quarter 2019

*The seller must inform the buyer of the PACE financing prior to or at the time of the execution of the contract.*



## Property Assessed Clean Energy Continued from Page 1

### Pros:

- No credit check required
- No out-of-pocket costs
- Delayed first payment
- 100% financing

### Cons:

- When a buyer of a property that has PACE financing is taking out a new mortgage, the PACE financing will have to be paid off by the seller at the time of closing.
- Not eligible for FHA-insured mortgage OR refinances – must pay off in full (if it cannot be insured by FHA, lender will not be able to sell loan).
- Fannie Mae and Freddie Mac, the owners of a large portion of all home mortgages, stated they would not purchase home loans where property was encumbered by non-ad valorem assessment.

### What you need to know:

1. Seller must inform the buyer of the PACE financing prior to or at the time of the execution of the contract
2. PACE financing may only be assumed if the buyer is paying cash for the property and is willing to assume the assessment.
3. The repayment is billed in annual installments on the tax bill as a non-ad valorem assessment.
4. Must be paid off upon the sale of the property (in most cases) unless buyer is paying cash and agrees to assume the balance.

### BEST PRACTICES:

Note any new improvements, such as the ones listed herein, and be prepared to explain how the seller paid for those improvements. Sellers may not realize PACE financing constitutes a lien on the property just like home equity lines of credit.

**Until the specific addendum comes out disclosing PACE financing ensure this is disclosed by separate blank addendum. We recommend you use this suggested language:**

QUALIFYING IMPROVEMENTS FOR ENERGY EFFICIENCY, RENEWABLE ENERGY, OR WIND RESISTANCE: The property being purchased is located within the jurisdiction of a local government that has placed an assessment on the property pursuant to s. 163.08, Florida Statutes. The assessment is for a qualifying improvement to the property relating to energy efficiency, renewable energy, or wind resistance, and is not based on the value of property. You are encouraged to contact the county property appraiser's office to learn more about this and other assessments that may be provided by law.