



**Statement of the Massachusetts Bankers Association
In Opposition S 2171 - An Act Relative to Establishing a Residential PACE Program to Provide
Long-Term Financing for Home Energy System Improvements
Joint Committee on Telecommunications, Utilities and Energy
October 31, 2023**

On behalf of our more than 120 commercial, savings and cooperative banks and federal savings institution members with more than 72,000 employees and over five million customers located throughout the Commonwealth and New England, we are writing in opposition to S 2171 - An Act Relative to Establishing a Residential PACE Program to Provide Long-Term Financing for Home Energy System Improvements.

According to a recent study and newly proposed rule by the CFPB¹, R-PACE programs in other states have created a host of problems for homeowners – including exploitation of residents via scams, false promises about efficiency gains, and instances of “upselling” or justifying extraordinary costs for routine energy home improvement. Similar programs have also clouded title issues for borrowers due to the sequencing of priority liens in states where authorized. In addition to creating title issues when borrowers attempt to sell or refinance their mortgages, the PACE loan process in some states have far fewer consumer protections than the traditional mortgage process, which is overseen by both state and federal regulators.

We should also point out that the interest rates on residential PACE loans are significantly higher than traditional financing. For example, the California program rates range from 3.69 percent for a five-year loan to 8 percent for a 30-year term. This is in contrast to the very successful Massachusetts HEAT loan program, which offers zero percent interest energy efficiency loans through local banks. Since that program’s inception in, Massachusetts banks have originated more than 60,000 HEAT loans totaling approximately \$750 million in financing for homeowners throughout the Commonwealth. HEAT loan borrowers are also required to obtain a home energy audit and the work must be completed by certified contractors. In addition, HEAT loans are underwritten by banks based on the borrower’s ability to repay the loan – not the value of the property.

Further, this piece of legislation, as currently constituted, fundamentally lack an operational structure - including critical provisions such as terms requiring the property owner to obtain written permission or consent whatsoever from any mortgage lender prior to securing a PACE loan; important consumer rights protections; ability to pay requirements, etc. – instead choosing to place the onus on the Department of Energy Resources and Massachusetts Development Finance Agency to independently develop and implement regulations to establish a statewide R-PACE program - a complex endeavor.

Given these concerns of our members and others in the lending industry, MBA strongly opposes both S 2171 for its potential detrimental effects to Massachusetts consumers and residential lending industry alike. Thank you for considering our views on these pieces of legislation

¹ [CFBP Proposed New Consumer Protections for Homeowners Seeking Clean Energy Financing \(R-PACE\)](#)