

**Strong Consumer Guards are Needed to Protect Ohioans Who Borrow
Home Improvement Loans Through the Residential PACE Program**

Supplemental Testimony In Support of House Bill 646

Civil Justice Committee

Ohio House of Representatives

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Chairman Hillyer and members of the Civil Justice Committee, thank you for the opportunity to testify today. Last week I submitted testimony that referenced the harm caused in three states where Residential PACE has already rolled out: California, Florida and Missouri. Today I'd like to address several statements opponents of this bill have made in recent months.

Opponents of HB 646 have stated the Ohio program already has "robust" consumer protections. They cite the Consumer Protections that were updated by the Toledo Port Authority as of June 10, 2021. They correctly claim this was done pursuant to Section 11 of the master agreement that governs the RPACE program, which states "the Toledo Port SHALL adopt Consumer Protections". But they omit an important sentence which says "the **Consumer Protections SHALL be substantively similar to the consumer protection standards adopted by the State of California.**"

The updated consumer protections fail to match a most critical standard adopted by California – **ensuring verification of the homeowner's ability to repay**. The revised Ohio protections only say the program "may require verification of the homeowner's income", and there is **no requirement to verify expenses**. This was not merely an oversight. In meetings I've attended with RPACE representatives over the past several years, they've repeatedly objected to stronger verification. The ability to repay any obligation is not merely a function of income, it's a calculation based on both **income, and expenses**. We are only a decade past the worst financial disaster in the past 100 years – caused chiefly by the predatory selling of loans without 3rd party verification that borrowers have the ability to repay. Tens of thousands of Ohioans were induced to enter into financing agreements they could not repay. The RPACE industry says strong consumer protections will limit the number of homeowners who can participate. In hindsight, wouldn't we wish we could go back to 2005 and require that homeowners had the ability to repay those loans?

What concerns me isn't just the fact that the self-imposed protections adopted by the RPACE industry are weak, it's the repeated misrepresentation to convince the public, and now you, that the program already has robust protections for Ohio homeowners.

Many details will be debated during these hearings, but I encourage committee members to not let the details obscure one fundamental fact about program. At its heart, Residential PACE – unlike Commercial PACE – is a program driven by contractors; going door to door in the neighborhoods of your constituents; selling homeowners their products and services; asking homeowners to sign contracts electronically on laptop computers and tablets with a hard copy being mailed sometime later. And consider this – when the contractor is in someone's living room, they're not just selling their home improvement product, they're also selling the financing and in effect **acting as both a contractor and a mortgage broker**.

Unlike the successful Commercial PACE program, where the borrower is typically a savvy real estate investor, the contractor-driven nature of the Residential PACE program puts senior citizens and other vulnerable homeowners at risk.

The RPACE industry says “the time is not yet right to adopt consumer protections by statute”. Three states were caught off guard and had to react to damage done by RPACE. In Ohio we're in a position to learn from this mistake, and take steps to protect Ohioans before RPACE is fully rolled out.

Respectfully submitted,

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