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16 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**

17 **FOR THE COUNTY OF LOS ANGELES**

18 ZENIA OCANA, an individual; JUAN  
OCANA LAU, an individual; VIOLETA  
19 SENAC, an individual; MARIA ALVAREZ,  
an individual; and NEPTALI SICAL, an  
20 individual, as TRUSTEE OF THE SICAL  
FAMILY TRUST,

21 Plaintiffs,

22 vs.

23 RENEW FINANCIAL HOLDINGS, INC., a  
24 Delaware corporation; RENEW  
FINANCIAL CORP. II, a Pennsylvania  
25 corporation; the COUNTY OF LOS  
ANGELES; and DOES 1 through 10,

26 Defendants.  
27

Case No.

**CLASS ACTION COMPLAINT FOR:**

1. **FINANCIAL ELDER ABUSE**
2. **BREACH OF CONTRACT**
3. **VIOLATION OF BUS. & PROF. CODE § 17200**
4. **CANCELLATION OF TAXES**
5. **DECLARATORY RELIEF**

**AND DEMAND FOR JURY**

1 Plaintiffs Zenia Ocana, Juan Ocana Lau, Violeta Senac, Maria Alvarez, and Neptali Sical  
2 (in his capacity as Trustee of the Sical Family Trust), individually and on behalf of all others  
3 similarly situated, allege the following against Defendants Renew Financial Holdings, Inc., Renew  
4 Financial Corp. II (collectively “Renew Financial”), and the County of Los Angeles:

5 **OVERVIEW OF THE DISPUTE**

6 1. For the last three years, Renew Financial and the County of Los Angeles (the  
7 “County”) have spread a plague on thousands of low-income, elderly, and non-native English-  
8 speaking homeowners throughout the County. They have done so through a program known as  
9 Property Assessed Clean Energy (“PACE”) that the California Legislature authorized local  
10 governments to implement. The County enacted the program in 2012 and delegated  
11 administrative responsibility to Renew Financial and Renovate America in 2015. The conduct of  
12 Renovate America is addressed in a separate complaint.

13 2. Although the County’s stated goal was laudable—to “enable[] homeowners to  
14 install energy efficiency, renewable energy, and water-saving improvements to their properties  
15 without putting any money down,” Ex. A (“Los Angeles County PACE,” available at  
16 <http://pace.lacounty.gov/residential/index.html>)—in practice, the County’s PACE program has  
17 been a disaster for thousands of vulnerable homeowners.

18 3. Incompetent and unscrupulous contractors have mauled their homes, after having  
19 sold them unnecessary, overpriced, and defective goods and services. Homeowners have taken on  
20 debt beyond their means to repay. The PACE program has depressed the value of their homes,  
21 made the homes more difficult to sell, and put them on the edge of foreclosure. Many PACE  
22 participants are living hand-to-mouth to hold onto their homes, fearful of what is yet to come.

23 4. The County’s PACE program has many serious flaws. *First*, Renew Financial  
24 approves PACE loans based on the equity in the homeowner’s property, not on his or her ability to  
25 repay the loan. But no matter how much equity an owner may have in the home, he or she can  
26 still lack the income to repay a loan of even a small fraction of that equity. *Second*, by classifying  
27 PACE financing as a tax assessment rather than a loan, the County and Renew Financial have  
28 attempted to sidestep traditional regulations and consumer protections that govern loans secured

1 by real property. **Third**, the County imposes a special assessment on homeowners' property tax  
2 bills to collect the PACE loan. If the homeowner fails to pay the PACE assessment, the County  
3 deems the homeowner to have defaulted on his or her property taxes. **Fourth**, the PACE loan is  
4 secured by a lien on the property. If the homeowner does not repay the PACE loan, the County  
5 has the right to foreclose, sell the house to someone else, and evict the PACE loan participant.  
6 **Fifth**, the PACE loan catapults over every existing lien on the homeowner's property to take the  
7 first priority position. That puts the homeowner potentially in default under his or her existing  
8 mortgage, under which a homeowner typically promises the lender that it will be in first position.  
9 **Sixth**, that first priority position, and the fact that the PACE loans are based on home equity,  
10 materially reduces the County's risk in making PACE loans and renders the PACE interest rates  
11 unjustified and excessive. Plaintiffs and class members are thus paying above market interest  
12 rates for the privilege of participating in the County's ruinous PACE program.

13         5.         The County cannot claim today that any of this comes as a surprise. County  
14 Treasurer and Tax Collector Mark J. Saladino warned the County Supervisors of these harms in  
15 August 2014, **before** the County implemented its residential PACE program and **before** it engaged  
16 Renew Financial to run it:

17                 It is the Treasurer and Tax Collector's expectation that borrowing costs for  
18 residential PACE participants will also be **materially** higher than comparable  
19 rates on both home equity lines of credit and home equity loans.

20                 ....

21                 The FHFA [Federal Housing Finance Agency] asserted that PACE  
22 assessments violated the terms of the uniform security instrument utilized in  
23 mortgage contracts purchased by the Federal Mortgage Agencies [Fannie  
24 Mae and Freddie Mac]. This assertion has been reviewed by County Counsel  
25 and found to be accurate

26                 ....

27                 County Counsel determined that the Federal Mortgage Agencies would likely  
28 have the ability to declare an event of default ... as a result of PACE  
assessments.... If the property owner were neither able to cure the default  
through full payment of the PACE assessment nor the mortgage contract, the  
Federal Mortgage Agency could initiate foreclosure proceedings ....

29         See Ex. B at 5, 6, 7 (August 12, 2014 Saladino Letter to County Board of Supervisors) (emphasis  
30 added).

1           6.       *The Wall Street Journal* has characterized PACE as the new “subprime crisis” for  
2 its reckless extension of credit to homeowners. *See* Ex. C (Kristen Grind, “America’s Fastest-  
3 Growing Loan Category Has Eerie Echoes of the Subprime Crisis,” Jan. 10, 2017, available at  
4 [https://www.wsj.com/articles/americas-fastest-growing-loan-category-has-eerie-echoes-of-](https://www.wsj.com/articles/americas-fastest-growing-loan-category-has-eerie-echoes-of-subprime-crisis-1484060984)  
5 [subprime-crisis-1484060984](https://www.wsj.com/articles/americas-fastest-growing-loan-category-has-eerie-echoes-of-subprime-crisis-1484060984)). As detailed below, that is an understatement.

6           7.       Despite all of these warning signs, from inception the County intended its PACE  
7 program to be vast. The County initially authorized \$100 million in bonds (with authorization to  
8 sell up to \$1 billion), and used the proceeds to make individual PACE loans. *See* Ex. D at 3-4  
9 (“Resolution of the Board of Supervisors Authorizing the Establishment of a Special Fund for the  
10 LACEP, the Issuance and Sale of Bonds and the Execution and Delivery of Certain Documents in  
11 Connection with the LACEP, and Authorizing a Validation Action and Certain Actions Related  
12 Thereto”); Ex. E at 6 (“Los Angeles County Energy Program, Program Report”). The County  
13 aimed to have 15,000 PACE program participants within the first few years. *See id.* at 2. The  
14 County has exceeded that goal. As a result, the PACE program has been a boon to Los Angeles  
15 home improvement contractors, who are estimated to have pocketed at least \$100 million by  
16 installing PACE-funded projects at the expense of vulnerable homeowners.

17           8.       The County outsourced administration of the PACE program to Renew Financial  
18 pursuant to a March 2015 contract (the “Administration Contract”). *See* Ex. F. Renew Financial  
19 profits from each PACE loan it originates. In return, the County collects recording and other fees.

20           9.       The County knew that the PACE program could harm homeowners. Thus, the  
21 County required Renew Financial to ensure “best in class protections” for the benefit of  
22 homeowners who participated in the PACE program, including protection from “predatory  
23 lending, unscrupulous contractors and poor quality assessment servicing.” Ex. F at Ex. A,  
24 Statement of Work § 5.1. Renew Financial agreed and promised also to provide protections for  
25 seniors, provide assistance to consumers in multiple languages, and create a “Consumer Protection  
26 Measures Plan.” *Id.* at §§ 5.2.4, 5.2.5, 5.2.8.

27           10.      As detailed below, Renew Financial reneged on all of those promises. The County  
28 has been looking the other way.

1           11.     The most basic—but glaringly absent—form of protection against predatory  
2 lending is to ensure that the potential borrower *can afford* to repay the loan, whether through  
3 earnings or other sources. The County’s PACE program lacks even that basic protection. Renew  
4 Financial’s primary lending criterion has been whether the borrower’s home is worth more than  
5 the value of the PACE loan and other secured debts. That ensures the County will get its money  
6 in the event of a default but does nothing to assess whether a homeowner can afford to repay a  
7 PACE loan. In other words, as long as the County, Renew Financial, and bondholders were sure  
8 to get repaid, they did not care if a homeowner was oversold improvements or ended up on the  
9 street.

10           12.     Before, during, and after Defendants’ adoption and implementation of the PACE  
11 program, numerous federal agencies have criticized it. The FHFA warned that the program could  
12 place homeowners in default under their mortgages and put them at risk of foreclosure. *See* Ex. G  
13 (Summary of Speech by Alfred Pollard, FHFA General Counsel, available at  
14 [https://www.fhfa.gov/Media/ PublicAffairs/Pages/Pollard-Statement-before-California-](https://www.fhfa.gov/Media/PublicAffairs/Pages/Pollard-Statement-before-California-Legislature-Keeping-Up-with-PACE.aspx)  
15 [Legislature-Keeping-Up-with-PACE.aspx](https://www.fhfa.gov/Media/PublicAffairs/Pages/Pollard-Statement-before-California-Legislature-Keeping-Up-with-PACE.aspx).) The Department of Housing and Urban Affairs  
16 reached the same conclusion. *See* Ex. H (Dept. of Housing and Urban Development Press Release  
17 No. 17-111 (Dec. 7, 2017)) (“In addition, such [PACE] activity is risky for FHA [Federal Housing  
18 Administration] borrowers and potentially violates the terms of their FHA-insured mortgage.”).

19           13.     Meanwhile, other California local governments have suspended or cancelled their  
20 PACE programs, after seeing its flaws and the harms it has inflicted on their citizens.

21           14.     Despite these red flags, the County and Renew Financial have continued to plunge  
22 ahead with the PACE program and have continued to sell thousands of vulnerable County  
23 residents overpriced and unaffordable loans that put their home ownership at risk.

24           15.     By this action, Plaintiffs seek to begin cleaning up the mess that the County and  
25 Renew Financial have created. Plaintiffs bring this action on their own behalf, and on behalf of a  
26 class of all persons who entered into PACE financing and assessment agreements with the County  
27 who meet the criteria stated in paragraph 88 (the “**Loan Class**”). Plaintiffs Senac and Sical also  
28 bring this action on their own behalf, and on behalf of a subclass of all persons who meet the

1 criteria stated in paragraph 90 (the “**Elder Subclass**”). As detailed below, Plaintiffs and members  
2 of the proposed class and subclass (collectively, “Class Members”) seek restitution of amounts  
3 paid, declaratory and injunctive relief, and other appropriate remedies:

4 a. As to persons over the age of 65, Defendants Renew Financial and the  
5 County violated the Elder Abuse Statute, Welfare & Institutions Code sections 15600, et  
6 seq., by (among other things) taking, secreting, appropriating, obtaining and/or retaining  
7 the property of elder persons entitled to the protection of the statute;

8 b. Defendant Renew Financial breached its express obligations under the  
9 Administration Contract, described in paragraphs 37-39 below. Plaintiffs and members of  
10 the two proposed classes are express third-party beneficiaries of Defendant Renew  
11 Financial’s promises to the County to implement “best in class protections” against  
12 predatory lending, to provide “special protections” for PACE program participants over 65  
13 years old, and to take other steps set forth in that contract to protect and serve customers.

14 c. Defendant Renew Financial violated the Unfair Competition Law, Business  
15 & Professions Code sections 17200, et seq., in that its PACE program practices were unfair  
16 and unlawful;

17 d. Defendants Los Angeles County and Renew Financial have encumbered the  
18 title to the Plaintiffs’ and Class Members’ property, as a result of statutory violations and  
19 breach of the Administration Contract, through the imposition of tax liens and assessments,  
20 which encumbrances should be cancelled.

21 e. Plaintiffs and Class Members dispute the enforceability of the liens on the  
22 subject homes, the underlying PACE loan agreements, and the rights of Defendants to  
23 maintain the liens, and impose supplemental assessments to pay off the PACE  
24 loans. Plaintiffs and Class Members seek restitution of whatever monies the County has  
25 collected from them through such assessments and a judicial declaration of their rights.

## 26 **JURISDICTION & VENUE**

27 16. This Court has personal jurisdiction over Defendants. The events giving rise to this  
28 case occurred in the State of California. Defendants have been afforded due process because they

1 have, at all times relevant to this matter, individually or through their agents, subsidiaries, officers  
2 and/or representatives, operated, conducted, engaged in and carried on a business venture in this  
3 State, and/or maintained an office or agency in this State, and/or provided services, committed a  
4 statutory violation within this State related to the allegations made herein, and caused injuries to  
5 Plaintiffs and Class Members, which arose out of the acts and omissions that occurred in the State  
6 of California, during the relevant time period, at which time Defendants were engaged in activities  
7 in the State of California, resulting in injuries to Plaintiffs and Class Members.

8 17. Venue is proper in this Court pursuant to Code of Civil Procedure section 395(a).  
9 All of Plaintiffs' and the Class's injuries alleged herein occurred in the County of Los Angeles.

### 10 **PARTIES**

11 18. Plaintiffs Zenia Ocana and Juan Ocana Lau are individuals who at all times  
12 relevant to the Complaint resided, and currently reside, at their property and primary residence in  
13 the County of Los Angeles.

14 19. Plaintiff Violeta Senac is an 87-year-old individual who at all times relevant to the  
15 Complaint resided, and currently resides, at her primary residence located in the County of Los  
16 Angeles.

17 20. Plaintiff Maria Alvarez is an individual who at all times relevant to the Complaint  
18 resided, and currently resides, at her primary residence located in the County of Los Angeles.

19 21. Plaintiff Neptali Sical is a 71-year-old individual who at all times relevant to the  
20 Complaint resided, and currently resides, at his property and primary residence in the County of  
21 Los Angeles. Mr. Sical is acting herein as Trustee of the Sical Family Trust.

22 22. Defendant Renew Financial Holdings, Inc. is, and at all times mentioned herein  
23 was, a Delaware corporation with headquarters located in Alameda County, California. Renew  
24 Financial Holdings, Inc.'s principal place of business is located at 1221 Broadway, 4th Floor,  
25 Oakland, California 94612.

26 23. Renew Financial Corp. II is, and at all times mentioned herein was, a Pennsylvania  
27 corporation with headquarters located in Lehigh County, Pennsylvania. Renew Financial Corp.  
28

1 II's principal place of business is located at 1005 Brookside Road, Suite 200, Allentown,  
2 Pennsylvania 18106.

3 24. Renew Financial markets its PACE financing under the brand name "California  
4 First."

5 25. Defendant County of Los Angeles currently is, and at all times mentioned herein  
6 was, a county in the United States. The County has the largest population of any county in the  
7 United States, with nearly 10 million residents. The County has the responsibility of providing  
8 numerous services to its residents, including law enforcement, tax collection, public health  
9 protection, public social services, elections, and flood control.

10 26. Plaintiffs are informed and believe that, at all times mentioned herein, the County  
11 and Renew Financial were engaged in a joint enterprise, were acting within the course and scope  
12 of that enterprise, and that the County and Renew Financial both ratified the conduct of their  
13 agents and sub-agents. In addition, Plaintiffs are informed and believe that Renew Financial was  
14 an agent, servant, and fiduciary of the County, and that Renew Financial at all times mentioned  
15 herein was acting within the course and scope of that relationship.

16 27. The true names and capacities of Defendants DOES 1 through 10 are unknown to  
17 Plaintiffs. Plaintiffs will seek leave of court to amend this complaint to allege such names and  
18 capacities as soon as they are ascertained. Each of the Defendants herein was the agent, joint  
19 venturer, or employee of each of the remaining Defendants, and in engaging in the acts hereinafter  
20 alleged, each was acting in the course and scope of said agency, employment or joint venture with  
21 advance knowledge of, acquiescence in or subsequent ratification of the acts of each and every  
22 other remaining defendant. Each DOE Defendant is responsible, legally, negligently, or in some  
23 other actionable manner, for the events and happenings hereinafter referred to, and caused injuries  
24 and damages proximately thereby to Plaintiffs and the Class as hereinafter alleged, either through  
25 co-defendants' conduct, or through the authorized and/or ratified conduct of its agents, servants, or  
26 employees, or in some other manner.

27 28. Renew Financial, the County, and DOES 1 through 10 are referred to herein  
28 collectively as "Defendants."





1                   **B.     In 2015, the County Hired Renew Financial to Serve as a PACE**  
2                   **Program Administrator.**

3           33.     After the California Legislature authorized PACE programs, Renew Financial  
4 entered into agreements with county and city governments around the State to serve as those  
5 entities' program administrator.

6           34.     Renew Financial used that experience to market itself to the County. Following  
7 extensive negotiation and administrative review, in March 2015, the County and Renew Financial  
8 entered into the Administration Contract, attached hereto as Ex. F and incorporated herein by this  
9 reference.

10          35.     In approving that contract, the County's Board of Supervisors' resolutions assured  
11 the public that "the Treasurer will pursue underwriting criteria, largely dictated by the bond  
12 market, to help ensure that only creditworthy individuals are approved for loans." Ex. I at 6 (May  
13 25, 2010 Board of Supervisors Adopted LACEP Recommendation to the Board from County  
14 Chief Executive Officer and Director of Internal Services Department).

15          36.     Exhibit A to the Administration Contract (attached as Ex. F hereto), titled  
16 "Statement of Work," details Renew Financial's many obligations to the County and to PACE  
17 program participants—that is, to homeowners like Plaintiffs and Class Members—as third-party  
18 beneficiaries. Those obligations include, among others, those listed under the heading "Consumer  
19 Protection Measures."

20          37.     The first of those consumer protections to which Renew Financial agreed under the  
21 Administration Contract was that it would "ensure *best in class protections* for property owners  
22 from actions such as, including but not limited to, predatory lending, unscrupulous contractors and  
23 poor quality assessment servicing." *Id.* at §5.1 (emphasis added).

24          38.     As part of its obligation to ensure those "best in class protections," Renew  
25 Financial agreed "*at a minimum*" to do the following:

- 26               a.     "Implement a multi-faceted approach to consumer protection and integrate  
27 it into brand usage guidelines, marketing activity policies, advertising policies, sales and  
28

1 training protocol, collateral, financial disclosures and assessment servicing procedures.”

2 *Id.* at § 5.2.1.

3 b. “Provide special protection for seniors over 65 years of age to confirm they  
4 clearly understand the terms of the financing.” *Id.* at § 5.2.4.

5 c. “Provide assistance in multiple languages, other than and in addition to  
6 English, to ensure consumers understand the terms of their financing in their native  
7 language.” *Id.* at § 5.2.5.

8 d. “Prior to Program Launch, create a *Consumer Protection Measures Plan*,  
9 included as part of the Operations Manual [for contractors], and provide to the County for  
10 comment and approval.” *Id.* at § 5.2.8.

11 39. Plaintiffs are informed and believe that Defendants failed to adhere to these  
12 required standards and failed to provide these benefits to PACE program participants.

13 **C. Renew Financial Ignored Borrowers’ Ability to Repay.**

14 40. If Renew Financial had met its obligations to provide homeowners the “best in  
15 class” protections against predatory lending described above, it would have, at a minimum, used  
16 an ability to repay analysis in deciding whether to approve each PACE loan. *See, e.g.*, Ex. G  
17 (expressing FHFA’s disapproval of PACE’s failure to conduct an ability to repay analysis).

18 41. Renew Financial failed to do that. During the class period, Renew Financial’s  
19 underwriting standards did not contain an ability to repay criterion. The primary consideration for  
20 underwriting a PACE loan was whether there is enough equity in the homeowner’s property (i.e.  
21 the difference between what the house would sell for and the unpaid amount of any mortgage and  
22 other liens). Thus, Renew Financial asked only: If the homeowner fails to repay the PACE loan,  
23 will the proceeds from the foreclosure be sufficient to repay it? In other words, Renew Financial  
24 decided whether to make a PACE loan based on whether the loan could be fully repaid by kicking  
25 the homeowner out of the house and onto the street.

1                   **D.      Renew Financial Recruited and Unleashed an Army of Contractors to**  
2                   **Serve as Unlicensed Mortgage Brokers.**

3           42.      Renew Financial did not use licensed mortgage brokers to market or originate  
4 PACE loans. Instead, Renew Financial drafted battalions of “Participating” Contractors. Renew  
5 Financial relied on its Participating Contractors, among other things, to:

- 6                   a.      Verify the government-issued photo identification of consumers, Ex. J at 1  
7 (“Contractor Participation Requirements”);  
8                   b.      “Provide any credit offer and any other required disclosures to the  
9 applicable consumer,” *Id.*;  
10                  c.      Preserve the confidentiality of consumers’ nonpublic personal information,  
11 *Id.* at 2;  
12                  d.      Only speak English to consumers, and  
13                  e.      Charge fair retail prices. *Id.*

14           43.      Renew Financial publicly claims they “make home improvements affordable,” and  
15 that each Participating Contractor “undergoes training to answer your questions about our  
16 programs.” Ex. K (Screen clippings from Renew Financial’s website). In fact, the Administration  
17 Contract *required* Renew Financial to “enforce all policies and procedures for [contractor]  
18 compliance.” Ex. F at Ex. A, Statement of Work § 5.2.6.

19           44.      Typically, Participating Contractors introduced homeowners to the PACE program,  
20 controlled the financing application process, and obtained homeowners’ signatures on PACE  
21 contracts, usually via electronic signature. In many cases, Participating Contractors were the  
22 primary source of information that homeowners received (or did not receive) about the PACE  
23 program and its financing terms before a homeowner entered into a PACE loan. Often, the  
24 homeowner did not receive a copy of the PACE financing contract until after the improvement  
25 work had already been completed and the homeowner had become obligated to pay for that work.

26           45.      Renew Financial directly and indirectly encouraged its Participating Contractors to  
27 market PACE aggressively. This encouragement included but was not limited to the following:  
28 (a) Renew Financial rubber-stamped its approval of payment in full to contractors for any home

1 improvement contract submitted for financing, without regard to whether the contractor followed  
2 the guidelines required of a Participating Contractor or was acting in accordance with the  
3 Administration Contract, and (b) Renew Financial instructed its Participating Contractors that they  
4 did *not* need to determine if the potential customer could afford the loan.

5         46.       Indeed, on information and belief, Renew Financial informed its Participating  
6 Contractors how much equity each homeowner had available and instructed the contractors that  
7 they could and should base the amount of improvements they sold to homeowners on their  
8 available equity

9         47.       Because the amount of PACE financing that a homeowner can receive is based on  
10 the home's equity rather than a homeowner's ability to repay, PACE loans are typically much  
11 larger than traditional home improvement loans. This structure encouraged Participating  
12 Contractors to solicit as many PACE-financed contracts as possible and to upsell and overcharge  
13 homeowners as much as possible. Unsophisticated homeowners were left to guess whether the  
14 contract prices were reasonable and whether they could afford to repay the PACE loans. Prices on  
15 PACE-financed work spiraled upward, and contractors pocketed profit margins of as much as 75%  
16 from a program designed to help low- and moderate-income homeowners.

17         48.       At Renew Financial's direction, predatory contractors targeted homeowners with  
18 relatively high equity in their homes. In particular, contractors routinely targeted homeowners  
19 who, often despite getting by on a modest fixed-income, had achieved the American dream of  
20 owning their home and who had slowly and steadily built substantial equity in it over the years.

21                 **E.       The County Offloaded the Risk of Its PACE Program.**

22         49.       Akin to what home mortgage lenders did in the lead-up to the 2008 financial  
23 meltdown, to offload the County's risk of getting repaid, the County packaged tranches of PACE  
24 loans into bonds that it sold to Wall Street investors. Unlike the notorious home lenders of the last  
25 decade, the County had the ability to use its full governmental powers to collect on the debts  
26 homeowners owed and the County legislated to itself priority over every other creditor.

27         50.       To make those bonds attractive, the County assured potential purchasers that the  
28 County would continue to use its official property tax collection apparatus to collect PACE loan

1 payments and quickly foreclose on a delinquent obligor's property—a power that no bank or other  
2 lender had at its disposal.

3 51. But because of statutory restrictions, the County had to pay higher rates of interest  
4 to these bondholders. It passed those costs on to PACE program participants through higher  
5 interest rates. As County Treasurer and Tax Collector Saladino told the County Supervisors in  
6 August 2014, *before* the County implemented the residential PACE program and *before* it  
7 engaged Renew Financial:

8 It is a legal requirement that all PACE bonds be issued on a taxable basis and  
9 not as tax-exempt securities. As a result, the interest rate on PACE  
10 assessments will be substantially higher than what could be achieved by the  
11 County in the tax-exempt municipal market. It is the Treasurer and Tax  
12 Collector's expectation that *borrowing costs for residential PACE  
participants will also be materially higher than comparable rates on both  
home equity lines of credit and home equity loans.*

13 *See* Ex. B at 5 (emphasis added).

14 52. The County's foregoing admission flat-out contradicts the avowed purpose of  
15 PACE and undermines a key benefit to homeowners that the County and Renew have promoted.  
16 The PACE program was supposed to harness the borrowing power of county and municipal  
17 governments to help low-income homeowners finance energy and water saving projects that they  
18 could not otherwise afford. Instead, as the County's pre-implementation admission confirms, the  
19 County loaned PACE homeowners money at above-market rates. Instead of providing the  
20 claimed benefit to homeowners, the County's PACE program has been a profit center for Renew  
21 Financial, building contractors, and Wall Street bond holders—financed on the backs of low-  
22 income County residents.

23 53. In addition, the County knew that it would have difficulty in packaging and  
24 flipping its portfolio of PACE loans to Wall Street investors unless it either raised the interest rates  
25 or gave the bondholders the right to require the County to foreclose on any PACE program  
26 participant who failed to repay his or her PACE loan. Sadly, the County did both.

1                   **F.       PACE Liens Depress Home Values and Make Homes Harder to Sell.**

2           54.       Because the PACE Lien has first priority status ahead of any other mortgage or  
3 lien, homeowners have had difficulty selling or refinancing their homes. As noted above, PACE  
4 Liens have been marketed to homeowners as “running with the land,” *i.e.*, the loan repayment  
5 obligation is transferred to the buyer upon sale and the buyer of a home burdened by a PACE Lien  
6 assumes the obligation to repay it. But as a result, many conventional lenders have refused to  
7 originate new loans for potential buyers of homes encumbered by PACE Liens, impairing their  
8 marketability and diminishing their resale value. As explained next, the County knew when it  
9 adopted the PACE program that this would happen, but plunged ahead anyway.

10                   **G.       The County Knew or Should Have Known That Its PACE Program**  
11                   **Would Hurt Vulnerable Homeowners.**

12           55.       The FHFA regulates mortgage lending through its supervision and oversight of the  
13 Federal National Mortgage Association (commonly known as “Fannie Mae”) and the Federal  
14 Home Loan Mortgage Corporation (commonly known as “Freddie Mac”). Those entities purchase  
15 and guarantee most of the loans PACE participants used to purchase their homes.

16           56.       In 2014, the County’s Treasurer and Tax Collector and the County’s Director of its  
17 Internal Services Department warned the County Board of Supervisors that, even before the  
18 County had authorized the PACE program in 2010, the FHFA had repeatedly objected to PACE.  
19 According to the County Treasurer and Tax Collector, the FHFA had stated that “PACE programs  
20 present safety and soundness concerns to the mortgage portfolios held by the Federal National  
21 Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie  
22 Mac) and the Federal Home Loan Banks.” *See* Ex. B at 2. Furthermore:

23                   The FHFA asserted that PACE assessments violated the terms of the uniform  
24 security instrument utilized in mortgage contracts purchase by the Federal  
25 Mortgage Agencies [Fannie Mae and Freddie Mac]. This assertion has been  
26 reviewed by County Counsel and found to be accurate with respect to the  
27 uniform security instrument used in the majority of mortgage contracts within  
28 California. It is estimated that upwards of 80% of all new mortgages in  
California.... include terms and conditions specifically aligned with the  
uniform security instrument referenced by the FHFA.

*Id.* at 6.

1           57.     In plain English, the County knew before it launched its residential PACE program,  
2 and before it hired Renew Financial to administer it, that by giving the County a first priority lien  
3 to secure the PACE loan, the vast majority of PACE program participants would automatically be  
4 put into default under their mortgages:

5                     County Counsel determined that the Federal Mortgage Agencies would likely  
6                     have the ability to declare event of default ... as a result of the PACE  
7                     assessments.... If the property owner were neither able to cure the default  
8                     through full payment of the PACE assessment nor the mortgage contract, the  
9                     Federal Mortgage Agency could initiate foreclosure proceedings.

10           *Id.* at 7.

11           58.     In advising the County Board of Supervisors, the County Treasurer and Tax  
12 Collector was even more blunt about the plague the County was about to let loose:

13                     It is the view of the Internal Services Department and the Treasurer and Tax  
14                     Collector that such risk [of homeowner default through participation in the  
15                     PACE program] can be fully eliminated only through federal legislation or a  
16                     change in the terms and conditions of the uniform security instrument [the  
17                     conventional loan agreement] utilized in California. By initiating a  
18                     residential PACE program, the County is making a determination that the risk  
19                     associated with current FHFA statements is manageable and should not  
20                     threaten property owners within Los Angeles County.

21           *Id.*

22           59.     These 2014 admissions make clear that the County knowingly chose to subject  
23 thousands of its most vulnerable citizens to what the County knew was a serious risk of losing  
24 their homes.

25           60.     Equally appalling, the County knew before it launched the PACE program and  
26 hired Renew Financial to administer it that one of the key selling points of the PACE program—  
27 that the loan is an obligation on the property and not the homeowner—was a mirage. The County  
28 Treasurer and Tax Collector was concerned, and the Board of Supervisors knew, that the FHFA  
could require a County PACE participant to pay off the PACE loan if the homeowner sold or  
refinanced his or her home. *See id.* at 6. And the County knew that, as a result of adopting the  
PACE program, Fannie Mae and Freddie Mac might cease purchasing mortgages from banks in  
the County. *Id.* If that happened, conventional sources of home lending and refinance would  
disappear. The County also knew that this would affect not only PACE participants, but also



1 “those property owners who have no involvement with PACE except to live in an area that allows  
2 for such financings.” *Id.* Here, too, the County turned a blind eye and plunged ahead with the risk  
3 to which it was exposing potentially tens of thousands of low-income County homeowners.

4         61.       In the ensuing years, the FHFA continued to sound alarm bells about PACE. In a  
5 June 9, 2016, speech to the California Legislature, FHFA General Counsel Alfred Pollard  
6 explained that PACE loans “increase the risk of loss to taxpayers” because they destroy the first-  
7 priority lien status of loans insured by Fannie Mae and Freddie Mac and increase the risk that the  
8 government—and hence taxpayers—will lose money due to PACE. Ex. G.

9         62.       The FHFA’s concerns about the PACE program did not stand alone. The FHA  
10 provides mortgage insurance on qualifying loans. Like the FHFA, the FHA objected to PACE.  
11 The FHA refused to insure mortgages on properties with existing PACE Liens, except for the  
12 period from July 2016 to December 2017. The FHA was “very concerned about PACE  
13 obligations being placed on FHA-insured mortgages that are already outstanding. The post-  
14 endorsement placement of these assessments on an FHA-insured mortgage creates a lack of  
15 transparency. . . . In addition, such activity is risky for FHA borrowers and potentially violates the  
16 terms of their FHA-insured mortgage.” Ex. H.

17         63.       A third federal agency also expressed concerns about the PACE program. The  
18 United States Department of Energy (“DOE”) directed counties adopting PACE programs to  
19 consider a homeowner’s ability to repay before making a PACE loan. In its 2010 “Guidelines for  
20 Pilot PACE Financing Programs”—issued *five years* before the County adopted its PACE  
21 program—the DOE provided several “best practices” to PACE program administrators, like  
22 Renew Financial, one of which was considering the homeowner’s ability to repay as part of its  
23 underwriting. The DOE suggested that program administrators ensure that borrowers have the  
24 ability to repay through precautions such as limiting financing to projects that “pay for  
25 themselves” by reducing the homeowner’s energy costs by more than the cost of the financing.  
26 Ex. L at 2 (“Guidelines for Pilot PACE Programs,” available at [https://www1.eere.energy.gov/  
27 wip/pdfs/arra\\_guidelines\\_for\\_pilot\\_pace\\_programs.pdf](https://www1.eere.energy.gov/wip/pdfs/arra_guidelines_for_pilot_pace_programs.pdf)).

1           64.     In addressing the epidemic of faulty PACE loans, the DOE revised its guidelines in  
2 2016, stating that administrators “should confirm property owners can support the cost of the  
3 PACE assessment by collecting and reviewing information from property owners on their  
4 household income and debt obligations.” Ex. M at 8 (“Best Practice Guidelines for Residential  
5 PACE Financing Programs,” available at [https://energy.gov/sites/prod/files/2016/11/f34/best-  
6 practice-guidelines-RPACE.pdf](https://energy.gov/sites/prod/files/2016/11/f34/best-practice-guidelines-RPACE.pdf)). The DOE also directed PACE program administrators to  
7 provide homeowners financing terms for PACE loans before their right to cancel the home  
8 improvement contract expired. *Id.* at 10.

9           65.     The DOE noted that low-income and elderly homeowners were particularly  
10 vulnerable to the harms of PACE loans. It advised PACE program administrators to provide extra  
11 protections for these populations. According to the DOE, at a minimum, program administrators  
12 should directly contact low-income and elderly homeowners to ensure that they had received the  
13 necessary disclosures with the PACE financing terms, should review improvement costs to ensure  
14 they are proportional to the anticipated savings, and should limit loans to those projects that pay  
15 for themselves through expected energy savings. *Id.* at 10, 13-15.

#### 16                   **H.     Other Local Governments in California Cancel Their PACE Programs.**

17           66.     In response to rampant abuse and harm to homeowners, Kern County ended its  
18 PACE program in June 2017. Ex. N (Daniel Freeman, “Kern Board of Supervisors votes to shut  
19 down PACE program,” June 14, 2017, available at [http://www.kerngoldenempire.com/news/local-  
20 news/kern-board-of-supervisors-votes-to-shut-down-pace-program/740863394](http://www.kerngoldenempire.com/news/local-news/kern-board-of-supervisors-votes-to-shut-down-pace-program/740863394)). The City of  
21 Bakersfield followed suit one month later. Ex. O (Steven Mayer, “Bakersfield City Council ends  
22 PACE loan program,” Jul. 19, 2017, available at [http://www.bakersfield.com/news/bakersfield-  
23 city-council-ends-pace-loan-program/article\\_e33cc8b0-6cfc-11e7-b4b9-4775b9e99903.html](http://www.bakersfield.com/news/bakersfield-city-council-ends-pace-loan-program/article_e33cc8b0-6cfc-11e7-b4b9-4775b9e99903.html)).  
24 Despite these warning signs and chorus of federal criticism, the County and Renew Financial have  
25 pressed ahead with their PACE program.



1 the contractor declared the job completed (and was paid in full by Renew Financial), the  
2 contractor had failed to even connect the panels. Yet the Ocanas somehow will have to come up  
3 with \$4,370 in each of the next 25 years if they want to stay in their home.

4 **B. Plaintiff Violeta Senac**

5 72. Plaintiff Violeta Senac (“Ms. Senac”) is an 87-year-old resident of Los Angeles  
6 County. At all times relevant here, Ms. Senac has owned the real property located at 5755 Ensign  
7 Avenue in North Hollywood. According to the County Assessor’s office, Ms. Senac’s home was  
8 built in 1938 and contains 947 square feet.

9 73. On or about February 9, 2017, Ms. Senac purportedly entered into a Renew  
10 Financial PACE assessment contract with the County. At that time, Ms. Senac was 86 years old,  
11 and providing a home for her disabled adult daughters. Ms. Senac speaks, reads and understands  
12 only limited English. She has poor eyesight. She is not able to read or understand complex  
13 documents written in English. Her only income is her monthly Social Security check.

14 74. Ms. Senac’s PACE assessment contract covered the installation of some drip  
15 irrigation lines and supposedly water-permeable paving stones. Renew Financial’s contractor  
16 charged Ms. Senac \$27,850 for these items. To secure repayment of the assessment contract, the  
17 County recorded a PACE Lien on Ms. Senac’s property, a certified copy of which is attached  
18 hereto as Ex. Q and incorporated herein by reference. Renew Financial provided no Spanish  
19 language documents to Ms. Senac.

20 75. The County’s PACE Lien on Ms. Senac’s home secures the \$27,850 in charges  
21 from the Renew Financial contractor, plus an additional \$2,800 in Renew Financial fees and  
22 capitalized interest, plus another \$33,625 in interest to be paid over the 20-year life of the PACE  
23 Loan, for a total of \$64,208 in payments to the County. The annual PACE assessment adds  
24 \$3,210 to her property taxes in each of those 20 years. When Ms. Senac allegedly entered into the  
25 PACE financing agreement with the County, her pre-existing debt-to-income ratio was  
26 approximately 158%, meaning that her debt obligations already exceeded her income.

27  
28

1           76.     Despite these steep prices, huge interest charges, and supplemental property taxes  
2 that Ms. Senac cannot afford, the contractor never installed the drip irrigation lines, and installed  
3 the pavers so closely together that the water does not permeate into the ground.

4                   **C.     Plaintiff Maria Alvarez**

5           77.     Plaintiff Maria Alvarez (“Ms. Alvarez”) is under 65 years of age, and is a resident  
6 of Los Angeles County. At all times relevant, Ms. Alvarez has owned the real property located at  
7 2028 N. Summit Avenue in Pasadena. According to the County Assessor’s office, Ms. Alvarez’s  
8 home was built in 1910 and contains 1,008 square feet.

9           78.     Ms. Alvarez works as a housekeeper. She earns \$2,000 per month. She also earns  
10 some rental income. Ms. Alvarez speaks, reads and understands only limited English. She is not  
11 able to read or understand complex documents that are written in English.

12           79.     On or about January 23, 2016, Ms. Alvarez purportedly entered into a Renew  
13 Financial PACE assessment contract with the County. The contract covered solar panels, artificial  
14 turf, and some exterior paint to supposedly lower the temperature inside her house on hot days.  
15 Renew Financial’s contractor charged Ms. Alvarez \$70,000 for these items. To secure repayment,  
16 the County recorded a PACE Lien on Ms. Alvarez’s property, a certified copy of which is attached  
17 hereto as Ex. R and incorporated herein by reference. Ms. Alvarez did not receive any documents  
18 from Renew Financial in Spanish.

19           80.     In addition to the \$70,000 that the Renew Financial contractor charged, the PACE  
20 lien secures \$7,240 in Renew Financial fees and capitalized interest, plus another \$110,180 in  
21 interest, all of which are to be repaid over the 25-year life of the PACE loan, at the rate of \$7,496  
22 per year, for a total of \$187,407 in payments to the County.

23           81.     When Ms. Alvarez allegedly entered into the PACE financing agreement with the  
24 County, her pre-existing debt-to-income ratio was approximately 57%. Ms. Alvarez’s Renew  
25 Financial PACE Lien caused her debt-to-income ratio to increase to approximately 77%. Renew  
26 Financial paid the contractor before the work was completed. Neither the paint nor the turf were  
27 installed. Over the useful life of the solar panels, no amount of energy savings on a 1,008 square  
28 foot home will ever come close to paying for what the County is seeking to collect from Ms.

1 Alvarez. And the yearly property tax payments for the PACE Loan represent over 30% of her  
2 annual income. Yet Ms. Alvarez will have to pay the County that \$7,496 anyway, every year for  
3 the next 25 years, if she wants to keep the County from foreclosing on her and kicking her out.

4 **D. Plaintiff Neptali Sical**

5 82. Plaintiff Neptali Sical is a 71-year-old resident of Los Angeles County. At all  
6 times relevant here, Mr. Sical owned the real property located at 7247 Ariel Avenue in Reseda.  
7 The home was Mr. Sical's separate property. On May 7, 2016, Mr. Sical transferred the home into  
8 The Sical Family Trust, of which Mr. Sical is Trustee, and he and his wife are Trustors.  
9 According to the County Assessor's office, Mr. Sical's home was built in 1956 and contains 1,574  
10 square feet.

11 83. Mr. Sical receives \$950 per month in Social Security retirement benefits and a \$71  
12 retirement benefit from his career working for an aircraft manufacturer. He supports himself and  
13 his wife on a total household income of \$1,021 per month, or \$12,252 per year.

14 84. On or about March 17, 2016, when Mr. Sical was 69 years old, he purportedly  
15 entered into a Renew Financial PACE assessment contract with the County. The contract called  
16 for the installation of 24 solar panels—for a home of 1,574 square feet—but the contractor  
17 actually installed only 13. The Renew Financial contractor charged him the full contract price of  
18 \$33,150, which, as noted above, is more than twice the price for a solar panel installation on a  
19 typical California home of comparable or larger size. To secure repayment of the assessment  
20 contract, the County recorded a PACE Lien on Mr. Sical's property, a certified copy of which is  
21 attached hereto as Ex. S and incorporated herein by reference.

22 85. The PACE Lien includes the \$33,150 for the work, plus \$6,000 in Renew Financial  
23 fees and capitalized interest, plus another \$56,021 in interest over the next 25 years, for a total of  
24 \$95,142 in payments to the County. All of that requires Mr. Sical to pay a \$3,552 annual PACE  
25 Loan payment to the County, on an annual income of \$12,252. Mr. Sical's pre-existing debt-to-  
26 income ratio exceeded 100%, even before he purportedly promised to pay the Renew Financial  
27 PACE assessment of \$3,552 each year. His post-PACE debt-to-income ratio exceeds 200%.

28



1           91. Defendants and their directors, officers, employees, and affiliates are excluded  
2 from the Loan Class and the Elder Subclass.

3           92. **Ascertainable**: Plaintiffs are informed and believe, and upon such information and  
4 belief allege, that individuals who fall within the Loan Class and the Elder Subclass are  
5 ascertainable and can be identified with reasonable efficiency. The definitions of the Loan Class  
6 and Elder Subclass are objective. The exact number and identities of the Loan Class and the Elder  
7 Subclass Members are unknown at this time, but may be ascertained through discovery.

8           93. **Community of Interest**: The questions of law and fact common to the Loan Class  
9 and the Elder Subclass sufficiently predominate over any questions affecting only individual  
10 members as to create a single community of interest between them. The common questions in this  
11 case are capable of having common answers. If Plaintiffs' claims regarding Defendants' conduct  
12 are accurate, Plaintiffs, Class Members, and Elder Subclass Members, will have identical claims  
13 capable of being efficiently adjudicated and administered in this case. Among the common  
14 questions of law and fact are:

15           a. Whether Plaintiffs and Class Members are third-party beneficiaries of the  
16 Administration Contract;

17           b. Whether Renew Financial breached its duty in the Administration Contract  
18 to "ensure best in class protections for property owners from actions such as, including but  
19 not limited to, predatory lending" by failing to consider ability to repay the PACE Liens;

20           c. Whether Defendant Renew Financial breached its duty in the  
21 Administration Contract to provide "special" or "heightened" protection for senior citizens  
22 to confirm they clearly understand the terms of the financing;

23           d. Whether Defendant Renew Financial breached its duty in the  
24 Administration Contract to provide assistance in multiple languages, other than and in  
25 addition to English, to ensure consumers understand the terms of their financing in their  
26 native language;



1 e. Whether Defendant Renew Financial’s breaches of its contractual  
2 obligations under the Administration Contract impaired or reduced the value of properties  
3 subject to PACE Liens;

4 f. Whether Defendants Renew Financial and the County took, secreted,  
5 appropriated, obtained and/or retained the property of the elder Plaintiffs and the Elder  
6 Subclass Members;

7 g. Whether Defendants Renew Financial and the County assisted in taking,  
8 secreting, appropriating, obtaining and/or retaining the property of elder Plaintiffs and the  
9 Elder Subclass Members;

10 h. Whether Defendants Renew Financial and the County knew or should have  
11 known that their conduct was likely to be harmful to the elder Plaintiffs and the Elder  
12 Subclass Members, specifically:

13 i. Whether Defendant Renew Financial knew or should have known  
14 that breaching its agreement in the Administration Contract to provide “special” or  
15 “heightened” protection for senior citizens and confirm they clearly understand the  
16 terms of the financing, would be likely to be harmful to elder Plaintiffs and the  
17 Elder Subclass Members;

18 ii. Whether Defendants Renew Financial and the County knew or  
19 should have known that elder persons are likely to be harmed if credit is extended  
20 to them without an evaluation of the elder person’s ability to repay;

21 i. Whether Defendant Renew Financial’s failure to provide essential  
22 consumer protections to Class Members constitutes an “unfair” practice under Business &  
23 Professions Code sections 17200, et seq.;

24 j. Whether the taking of a property interest in the homes of the Elder Plaintiffs  
25 and Elder Subclass Members was “unlawful” under Business & Professions Code sections  
26 17200, et seq.;

1 k. Whether Class Members are entitled to an order declaring the liens and  
2 assessments lodged against their properties to secure the PACE loans at issue herein to be  
3 cancelled;

4 l. Whether Class Members are entitled to restitution of amounts paid to the  
5 County, or other damages, related to the PACE program; and

6 m. Whether Class Members are entitled to specific performance of the  
7 Administration Contract.

8 94. **Adequate Representation**: Plaintiffs are representatives who will fully and  
9 adequately assert and protect the interests of the Class Members, and have retained competent and  
10 adequate legal counsel experienced in class action and complex litigation. Plaintiffs are adequate  
11 representatives and will fairly and adequately protect the interests of the Class Members.  
12 Plaintiffs' claims are typical of the claims of the Loan Class and Elder Subclass, as they are all  
13 based on the same factual and legal theories, namely, the same wrongful conduct by Defendants,  
14 including conduct by others that aided and abetted such conduct.

15 95. **Substantial Benefit**: A class action is superior to other available methods for the  
16 fair, just, and efficient adjudication of the claims asserted herein and will provide a substantial  
17 benefit to the court and the litigants. Joinder of all Class Members is impracticable and, for  
18 financial and other reasons, it would be impractical for individual members to pursue separate  
19 claims. The prosecution of separate actions by individual members would create a risk of  
20 inconsistent or varying adjudications, which would establish incompatible standards of conduct  
21 for the parties opposing the Loan Class and Elder Subclass. Such incompatible standards of  
22 conduct and varying adjudications on the same essential facts, proof, and legal theories would also  
23 create and allow the existence of inconsistent and incompatible rights within the Loan Class and  
24 Elder Subclass. The prosecution of separate actions by individual members would unduly burden  
25 the courts.

26 96. Plaintiffs anticipate no difficulty in the management of this case as a class action.  
27  
28

1 **FIRST CAUSE OF ACTION**

2 **Financial Elder Abuse**

3 **[Welfare & Institutions Code Section 15657.5]**

4 **(By the Elder Subclass Against All Defendants)**

5 97. The Elder Plaintiffs repeat and re-allege the allegations of paragraphs 1 through 96  
6 as though they were fully set forth herein.

7 98. The Elder Plaintiffs and Elder Subclass Member were 65 years of age or older at all  
8 times relevant and are thus “elders” under Welfare & Institutions Code section 15610.27.

9 99. Because Defendant Renew Financial’s PACE loan application form requires  
10 disclosure of the borrower’s birthdate, at all times material Defendant Renew Financial knew that  
11 the Elder Plaintiffs and the Elder Subclass were over the age of 65.

12 100. Defendant Renew Financial has taken, secreted, appropriated, obtained and/or  
13 retained the property of the Elder Subclass Members. Defendant Renew Financial has received  
14 substantial fees and commissions as a result of its activities in originating PACE Liens. For  
15 example, the Ocanas were charged \$2,655.83 in administrative fees. On information and belief,  
16 Defendant Renew Financial will continue to receive additional fees and commissions for the life  
17 of each PACE Lien, which commissions are paid by homeowners in the form of finance charges.

18 101. Defendant Renew Financial has also assisted Defendant County of Los Angeles in  
19 taking, secreting, appropriating, obtaining and/or retaining the property of the Elder Subclass  
20 Members. As described more fully above, Defendant Renew Financial’s assistance includes but is  
21 not limited to:

- 22 a. Recruiting and ostensibly training home improvement contractors to act as *de facto*  
23 mortgage brokers to sell PACE-financed home improvements to homeowners;  
24 b. Selecting what products and services are actually approved for PACE financing;  
25 c. Sending and receiving contracts;  
26 d. Checking properties’ equity, as well as homeowners’ property tax payment history;  
27 e. Recording PACE Liens; and  
28 f. Servicing PACE Liens.

1           102. Defendant County of Los Angeles has taken, secreted, appropriated, obtained  
2 and/or retained the property of the Elder Subclass Members. Defendant County of Los Angeles  
3 executes the assessment contracts that are recorded against the property of each Elder Subclass  
4 Member, on the basis of which Elder Subclass Members' homes can be foreclosed (or that will  
5 trigger foreclosures by conventional and reverse mortgage servicers).

6           103. Defendant County of Los Angeles has also assisted Defendant Renew Financial in  
7 taking, secreting, appropriating, obtaining and/or retaining the property of the Elder Subclass  
8 Members. As described more fully above, Defendant County of Los Angeles' assistance includes  
9 but is not limited to:

10           a. Empowering Defendant Renew Financial to originate financing without  
11 reference to the borrowers' ability to make the semi-annual payments;

12           b. Failing to oversee Defendant Renew Financial's activities or to provide  
13 oversight upon learning that financially vulnerable elders are being taken advantage of  
14 through Defendant Renew Financial's program;

15           c. Promoting the program; and

16           d. Failing to meaningfully evaluate Renew Financial's performance as  
17 required by sections 13.2.6 and 8.15 of the Administration Contract. *See* Ex. F at Ex. A,  
18 Statement of Work.

19           104. Defendants knew or should have known that the Elder Subclass Members were  
20 likely to be harmed by these activities because they:

21           a. Were especially vulnerable to financial abuse, such as by predatory lending;

22           b. Would be harmed if the Administration Contract was inadequately  
23 implemented, evaluated, and enforced;

24           c. Would be harmed if liens requiring semi-annual payments were recorded  
25 against their homes, without reference to whether the Elder Subclass Members could  
26 afford to make those payments; and

27           d. Were likely to experience mental suffering from the risk of foreclosure  
28 created by Defendants' wrongful acts.



1           113. By the terms of this contract the County allowed Renew Financial to administer the  
2 County's PACE program, and obtain fees and interest from property owners who utilize the PACE  
3 program, and Renew Financial agreed to implement "Consumer Protection Measures" for the  
4 County's property owners, including "best in class" protections against predatory lending and  
5 "special protections" for seniors. *See* Ex. F at Ex. A, Statement of Work § 5.1.

6           114. Plaintiffs and Class Members, as property owners who utilized the PACE program,  
7 are express and intended third party beneficiaries of these and the related "Consumer Protection  
8 Measures" provisions of the Administration Contract.

9           115. As express and intended beneficiaries, Class Members were entitled to the benefits  
10 and protections of these promises.

11           116. Renew Financial breached the Administration Contract by, among other things,  
12 failing to provide minimum protections against predatory lending, as evidenced by the fact that the  
13 PACE underwriting process did not assess the borrower's ability to repay the loan.

14           117. Renew Financial breached other obligations owed to Plaintiffs and Class Members  
15 under the Administration Contract, including its promise to provide "special" or "heightened"  
16 protection for seniors, such as members of the Elder Subclass, and its promise to provide language  
17 assistance to non-native English speakers. On information and belief, Defendant Renew Financial  
18 has charged, and will continue to receive, additional fees and commissions for the life of each  
19 PACE Lien, which commissions are paid by homeowners in the form of finance charges.

20           118. Renew Financial's breaches of the Administration Contract have proximately  
21 caused damage to Plaintiffs and Class Members. Such damages include, but are not limited to: (a)  
22 the loss of funds they have paid in connection with PACE loans, including for fees, interest, and  
23 assessment payments, (b) the increased risk of foreclosure, (c) the imposition of barriers to  
24 refinancing or obtaining other debt secured by liens on their home, such as home mortgages or  
25 reverse mortgages, (d) the reduced value of their homes, and (e) encumbrances that reduce the  
26 equity in their homes.

27           119. Plaintiffs and Class Members have been damaged in an amount subject to proof at  
28 trial substantially in excess of the jurisdictional minimum of this court but in an amount estimated

1 to be in the hundreds of millions of dollars, given the number of PACE participants, the value of  
2 their homes, the total amount of the PACE Liens, and the diminution in values sustained.

3 120. Plaintiffs and Class Members are entitled to the consumer protections included in  
4 the Administration Contract for their benefit, through specific performance or other remedies.

5 **THIRD CAUSE OF ACTION**

6 **Violation of California’s Statutory Unfair Competition Law**

7 **[Business & Professions Code Sections 17200 et seq.]**

8 **(By All Class Members Against Defendant Renew Financial)**

9 121. Plaintiffs repeat and re-allege the allegations of paragraphs 1 through 96 as though  
10 they were fully set forth herein.

11 122. Business & Professions Code sections 17200 et seq., also known as California’s  
12 Unfair Competition Law, prohibits any “unlawful, unfair or fraudulent business act or practice.”

13 123. Renew Financial has violated, and continues to violate, Section 17203’s prohibition  
14 against engaging in “unlawful” acts or practices by (a) violating Welfare & Institutions Code  
15 section 15657.5, as described above.

16 124. Renew Financial has violated, and continues to violate, Section 17203’s prohibition  
17 against “unfair” acts or practices by the following acts:

- 18 a. Breaching its duties to Plaintiffs under the Administration Contract;
- 19 b. Failing to screen and monitor its Participating Contractors in accordance  
20 with its own policies, and as required by the Administration Contract to protect Class  
21 Members from unscrupulous contractors;
- 22 c. Charging an above-market rate of interest on PACE Loans and a rate of  
23 interest in excess of the risk of return of principal;
- 24 d. Encouraging predatory lending by determining eligibility for PACE without  
25 consideration of the Class Member’s ability to repay the PACE Loan;
- 26 e. Encouraging predatory lending by informing its Participating Contractors  
27 how much funding Class Members qualified for based on the equity in their home.  
28

1           125. As a result of Renew Financial’s business acts and practices, Plaintiffs and the  
2 Class Members have incurred actual financial losses and injuries including first-priority PACE  
3 Liens on their homes that require payment and may trigger foreclosure by the County or by pre-  
4 existing conventional and reverse mortgage lenders.

5           126. Plaintiffs and the Class Members are entitled to an order enjoining Renew  
6 Financial from continuing to engage in the acts and practices alleged herein.

7           127. Plaintiffs and the Class Members are also entitled to restitution of all monies paid  
8 by them in connection with the PACE program, including PACE program and loan fees and all  
9 assessments they have paid.

10   **FOURTH CAUSE OF ACTION**

11   **Cancellation of Taxes**

12   **[Revenue & Tax Code Section 4986]**

13   **(By the Elder Subclass Against the County of Los Angeles)**

14           128. Plaintiffs Senac and Sical repeat and re-allege the allegations of paragraphs 1  
15 through 96 as though they were fully set forth herein.

16           129. Section 4986, subdivision (a) of the Revenue & Tax Code provides that “[a]ll or  
17 any portion of any tax, penalty, or costs, heretofore or hereafter levied, shall, on satisfactory proof,  
18 be cancelled by the auditor if it was levied or charged .... illegally.” Section 4986.2 provides that  
19 uncollected taxes, penalties, and costs also may be cancelled in this manner.

20           130. As more fully described above, Defendants committed financial elder abuse within  
21 the meaning of Welfare & Institutions Code sections 15657.5 and 15610.30, by levying special  
22 assessments against elders’ property without regard to whether the elders could afford to pay the  
23 special assessments. The County therefore acted illegally when it levied taxes against the Elder  
24 Plaintiffs and Elder Subclass Members to repay those special assessments, and the taxes (with any  
25 associated penalties or costs) should be cancelled.

26           131. Section 4990.3 of the Revenue & Tax Code provides that “[a]n action may be  
27 brought at any time against any county ... to quiet title against the lien of any taxes which have  
28 been canceled in accordance with this division.” Accordingly, the Elder Subclass Plaintiffs seek



1 an order cancelling the illegally levied special assessments and quieting title in favor of  
2 themselves and every Elder Subclass Member, with regard to the Renew Financial-related PACE  
3 Liens clouding title to their properties.

4 **FIFTH CAUSE OF ACTION**

5 **Declaratory Relief**

6 **(By All Classes Against All Defendants)**

7 132. Plaintiffs repeat and re-allege the allegations of paragraphs 1 through 96 as though  
8 they were fully set forth herein.

9 133. A controversy exists between Defendants, on the one hand, and Plaintiffs and Class  
10 Members, on the other hand, with regard to their legal rights and remedies towards one another in  
11 connection with the PACE program and PACE Liens related to the activities of Renew Financial  
12 as alleged herein. Plaintiffs and Class Members desire a judicial declaration of their rights:

13 a. The PACE Liens on the real property owned by Plaintiffs and Class  
14 Members should be extinguished and removed from title;

15 b. Plaintiffs and Class Members are entitled to cancellation of their obligations  
16 under their respective PACE assessment agreements; and,

17 c. Plaintiffs and Class Members are entitled to recover any or all payments  
18 they made in connection with the PACE program and PACE Liens, including payments  
19 made by way of refinance.

20 134. On information and belief, Defendants dispute that Plaintiffs and Class Members  
21 are entitled to such a judicial declaration.

22 135. A judicial determination is necessary and appropriate so that Plaintiffs and Class  
23 Members may ascertain their rights and interests in their respective properties.

24 **PRAYER FOR RELIEF**

25 **WHEREFORE**, Plaintiffs and Class Members respectfully request the following and pray  
26 for judgment as follows:

27 1. For an order that this lawsuit properly may be maintained as a class action and  
28 certifying the Class and Subclass claims herein;

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2. For restitution of all amounts paid in connection with the Los Angeles County PACE program related to the activities of Renew Financial as alleged herein, and all other relief authorized under the Unfair Competition Law, Business & Professions Code section 17200, et seq.;
3. For a declaration that PACE Liens at issue herein should be extinguished from title of property owned by Plaintiffs, Loan Class Members, and Elder Subclass Member, that they are entitled to cancellation of obligations created by such PACE assessment agreements, and that they are entitled to recover any and all payments made in connection with the PACE program and PACE Liens at issue herein;
4. For cancellation of the special assessments levied under the PACE program at issue herein and quieting of title in favor of every Elder Plaintiff and Elder Subclass Member with a PACE Lien presently clouding title to their property;
5. For damages and all other relief authorized by Welfare & Institutions Code section 15657.5, including but not limited to punitive and exemplary damages, in an amount according to proof at time of trial;
6. For treble damages pursuant to Civil Code section 3345;
7. For damages in the amount suffered as a result of Renew Financial's breach of the Administration Contract and specific performance of Renew Financial's duties under the Administration Contract;
8. For appropriate injunctive relief;
9. An award of reasonable attorneys' fees and costs; and
10. Such other relief at law or equity as this Court may deem just and proper.

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**DEMAND FOR JURY TRIAL**

Plaintiffs hereby demand a trial by jury on all issues so triable.

Dated: April 12, 2018

**IRELL & MANELLA LLP**

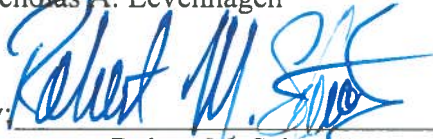
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