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

17 **FOR THE COUNTY OF LOS ANGELES**

18 REGINALD NEMORE, an individual;
VIOLETA SENAC, an individual; AURELIA
19 MILLENDER, an individual; and ALLEN
BOWEN, an individual,

20 Plaintiffs,

21 vs.

22 RENOVATE AMERICA, INC., a Delaware
23 corporation; the COUNTY OF LOS
ANGELES; and DOES 1 through 10,

24 Defendants.

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 Reginald Nemore, Violeta Senac, Aurelia Millender, and Allen Bowen,
2 individually and on behalf of all others similarly situated, allege the following against Defendants
3 Renovate America, Inc. (“Renovate America”) and the County of Los Angeles (the “County”):

4 **OVERVIEW OF THE DISPUTE**

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

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

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

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

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

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

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

18

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

22

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

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

28

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 Renovate America
18 pursuant to a March 2015 contract (the “Administration Contract”). *See* Ex. F. Renovate America
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 Renovate America 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.” *Id.* at Ex. A, Statement
24 of Work § 5.1. Renovate America agreed and promised also to provide protections for seniors,
25 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, Renovate America reneged on all of those promises. The
28 County 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.
4 Renovate America’s primary lending criterion has been whether the borrower’s home is worth
5 more than the value of the PACE loan and other secured debts. That ensures the County will get
6 its money in the event of a default but does nothing to assess whether a homeowner can afford to
7 repay a PACE loan. In other words, as long as the County, Renovate America, and bondholders
8 were sure to get repaid, they did not care if a homeowner was oversold improvements or ended up
9 on the 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 M. Pollard, General Counsel, Federal Housing Finance Agency,
14 available at [https://www.fhfa.gov/Media/PublicAffairs/Pages/Pollard-Statement-before-](https://www.fhfa.gov/Media/PublicAffairs/Pages/Pollard-Statement-before-California-Legislature-Keeping-Up-with-PACE.aspx)
15 [California-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
16 Affairs reached the same conclusion. *See* Ex. H (Dept. of Housing and Urban Development Press
17 Release No. 17-111 (Dec. 7, 2017)) (“In addition, such [PACE] activity is risky for FHA [Federal
18 Housing Administration] borrowers and potentially violates the terms of their FHA-insured
19 mortgage.”).

20 13. And just a few months ago, the Securities and Exchange Commission (“SEC”) and
21 the Federal Bureau of Investigation (“FBI”) demanded information from Defendant Renovate
22 America about its California PACE program. *See* Ex. I (Kristen Grind, “FBI, SEC Look Into
23 Business Practices of Country’s Largest ‘Green’ Lender,” Sep. 26, 2017, at [https://www.wsj.com/](https://www.wsj.com/articles/fbi-sec-look-into-business-practices-of-countrys-largest-green-lender-1506430977)
24 [articles/fbi-sec-look-into-business-practices-of-countrys-largest-green-lender-1506430977](https://www.wsj.com/articles/fbi-sec-look-into-business-practices-of-countrys-largest-green-lender-1506430977)).

25 14. Meanwhile, other California local governments have suspended or cancelled their
26 PACE programs, after seeing its flaws and the harms it has inflicted on their citizens.
27
28

1 15. Despite these red flags, the County and Renovate America have continued to
2 plunge ahead with the PACE program and have continued to sell thousands of vulnerable County
3 residents overpriced and unaffordable loans that put their home ownership at risk.

4 16. By this action, Plaintiffs seek to begin cleaning up the mess that the County and
5 Renovate America have created. Plaintiffs bring this action on their own behalf, and on behalf of
6 a class of all persons who entered into PACE financing and assessment agreements with the
7 County who meet the criteria stated in paragraph 87 (the “**Loan Class**”). Plaintiffs Senac,
8 Millender, and Bowen also bring this action on their own behalf, and on behalf of a subclass of all
9 persons who meet the criteria stated in paragraph 89 (the “**Elder Subclass**”). As detailed below,
10 Plaintiffs and members of the proposed class and subclass (collectively, “Class Members”) seek
11 restitution of amounts paid, declaratory and injunctive relief, and other appropriate remedies:

12 a. As to persons over the age of 65, Defendants Renovate America and the
13 County violated the Elder Abuse Statute, Welfare & Institutions Code sections 15600, et
14 seq., by (among other things) taking, secreting, appropriating, obtaining and/or retaining
15 the property of elder persons entitled to the protection of the statute;

16 b. Defendant Renovate America breached its express obligations under the
17 Administration Contract, described in paragraphs 35-37, below. Plaintiffs and Class
18 Members are express third-party beneficiaries of Defendant Renovate America’s promises
19 to the County to implement “best in class protections” against predatory lending, to
20 provide “special protections” for PACE program participants over 65 years old, and to take
21 other steps set forth in that contract to protect and serve customers;

22 c. Defendant Renovate America violated the Unfair Competition Law,
23 Business & Professions Code sections 17200, et seq., in that its PACE program practices
24 were unfair and unlawful;

25 d. Defendants Los Angeles County and Renovate America have encumbered
26 the title to the Plaintiffs’ and Class Members’ property, as a result of statutory violations
27 and breach of the Administration Contract, through the imposition of tax liens and
28 assessments, which encumbrances should be cancelled.

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

6 **JURISDICTION & VENUE**

7 17. This Court has personal jurisdiction over Defendants. The events giving rise to this
8 case occurred in the State of California. Defendants have been afforded due process because they
9 have, at all times relevant to this matter, individually or through their agents, subsidiaries, officers
10 and/or representatives, operated, conducted, engaged in and carried on a business venture in this
11 State, and/or maintained an office or agency in this State, and/or provided services, committed a
12 statutory violation within this State related to the allegations made herein, and caused injuries to
13 Plaintiffs and Class Members, which arose out of the acts and omissions that occurred in the State
14 of California, during the relevant time period, at which time Defendants were engaged in activities
15 in the State of California, resulting in injuries to Plaintiffs and Class Members.

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

18 **PARTIES**

19 19. Plaintiff Reginald Nemore is a 58-year-old individual who at all times relevant to
20 the Complaint resided, and currently resides, at his property and primary residence in the County
21 of Los Angeles.

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

25 21. Plaintiff Aurelia Millender is an 81-year-old individual who at all times relevant to
26 the Complaint resided, and currently resides, at her primary residence located in the County of Los
27 Angeles.

28

1 22. Plaintiff Allen Bowen is a 69-year-old individual who at all times relevant to the
2 Complaint resided, and currently resides, at his property and primary residence in the County of
3 Los Angeles.

4 23. Defendant Renovate America is, and at all times mentioned herein was, a Delaware
5 corporation with headquarters located in San Diego County, California. Its principal place of
6 business is 16409 West Bernardo Drive, San Diego, California 92127. Defendant Renovate
7 America markets its PACE financing under the brand name “HERO.”

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

13 25. Plaintiffs are informed and believe that, at all times mentioned herein, the County
14 and Renovate America were engaged in a joint enterprise, were acting within the course and scope
15 of that enterprise, and that the County and Renovate America both ratified the conduct of their
16 agents and sub-agents. In addition, Plaintiffs are informed and believe that Renovate America was
17 an agent, servant, and fiduciary of the County, and that Renovate America at all times mentioned
18 herein was acting within the course and scope of that relationship.

19 26. The true names and capacities of Defendants DOES 1 through 10 are unknown to
20 Plaintiffs. Plaintiffs will seek leave of court to amend this complaint to allege such names and
21 capacities as soon as they are ascertained. Each of the Defendants herein was the agent, joint
22 venturer, or employee of each of the remaining Defendants, and in engaging in the acts hereinafter
23 alleged, each was acting in the course and scope of said agency, employment or joint venture with
24 advance knowledge of, acquiescence in or subsequent ratification of the acts of each and every
25 other remaining defendant. Each DOE Defendant is responsible, legally, negligently, or in some
26 other actionable manner, for the events and happenings hereinafter referred to, and caused injuries
27 and damages proximately thereby to Plaintiffs and the Class as hereinafter alleged, either through
28

1 co-defendants' conduct, or through the authorized and/or ratified conduct of its agents, servants, or
2 employees, or in some other manner.

3 27. Renovate America, the County, and DOES 1 through 10 are referred to herein
4 collectively as "Defendants."

5 **ALLEGATIONS COMMON TO ALL CAUSES OF ACTION**

6 **A. In 2008, California Authorized Local PACE Programs.**

7 28. The California Legislature introduced PACE in 2008. The legislative history
8 reflects an intent that PACE's novel method of financing energy efficiency and water conservation
9 improvements would benefit California homeowners, including homeowners without access to
10 traditional sources of capital for home improvements.

11 29. The primary participants in a PACE program are: (a) a government entity (typically
12 a county or city), (b) a non-governmental entity, usually a private business, that administers the
13 program for the government entity (the "program administrator"), (c) home improvement
14 contractors who solicit homeowners to enter into qualifying energy efficiency or water
15 conservation projects and perform the work (typically after the program administrator approves
16 the proposed contract), and (d) homeowners who contract for the offered improvements.

17 30. To finance the cost of the improvements, the homeowner enters into a financing
18 contract with the public entity, here, the County. The contract grants the County the right to place
19 a lien on the homeowner's property in the amount of the principal, plus fees and capitalized
20 interest (the "PACE Lien"). The PACE Lien takes first priority, ahead of any pre-existing loan or
21 mortgage. To collect payments on the PACE Lien, plus interest and additional fees, the County
22 adds an additional ("supplemental") assessment to the owner's annual property tax bill. If the
23 property owner fails to pay, the County has the right to foreclose.

24 31. The PACE Lien remains on title until fully repaid, so that if a homeowner sells the
25 house before the loan balance has been fully repaid, the loan obligation "remains on title" and
26 becomes an obligation of the new owner. The fact that the PACE loan would "run with the
27 property" has been an important selling point, starting with the California Legislature and
28 continuing to the County, Renew Financial, and ultimately to homeowners interested in

1 participating in the PACE program. *See, e.g.*, Ex. E, at 2 (noting that a benefit of the County’s
2 PACE program is that it “establishes a loan obligation that is attached to the property and not to
3 the individual borrower.”).

4 **B. In 2015, the County Hired Renovate America to Serve as a PACE**
5 **Program Administrator.**

6 32. After the California Legislature authorized PACE programs, Renovate America
7 entered into agreements with county and city governments around the State to serve as those
8 entities’ program administrator.

9 33. Renovate America used that experience to market itself to the County. Following
10 extensive negotiation and administrative review, in March 2015, the County and Renovate
11 America entered into the Administration Contract, attached hereto as Exhibit F and incorporated
12 herein by this reference.

13 34. In approving that contract, the County’s Board of Supervisors’ resolutions assured
14 the public that “the Treasurer will pursue underwriting criteria, largely dictated by the bond
15 market, to help ensure that only creditworthy individuals are approved for loans.” Ex. J at 6 (May
16 25, 2010 Board of Supervisors Adopted LACEP Recommendation to the Board from County
17 Chief Executive Officer and Director of Internal Services Department).

18 35. Exhibit A to the Administration Contract (attached as Ex. F hereto), titled
19 “Statement of Work,” details Renovate America’s many obligations to the County and to PACE
20 program participants—that is, to homeowners like Plaintiffs and Class Members—as third-party
21 beneficiaries. Those obligations include, among others, those listed under the heading “Consumer
22 Protection Measures.”

23 36. The first of those consumer protections to which Renovate America agreed under
24 the Administration Contract was that it would “ensure ***best in class protections for property***
25 ***owners*** from actions such as, including but not limited to, predatory lending, unscrupulous
26 contractors and poor quality assessment servicing.” *Id.* at §5.1 (emphasis added).

27 37. As part of its obligation to ensure those “best in class protections,” Renovate
28 America agreed “***at a minimum***” to do the following:

1 a. “Implement a multi-faceted approach to consumer protection and integrate
2 it into training modules [for contractors] including: brand usage guidelines, marketing
3 activity policies, advertising policies, sales and training protocol, and collateral.” *Id.* at §
4 5.2.1.

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

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

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

13 38. Plaintiffs are informed and believe that Defendants failed to adhere to these
14 required standards and failed to provide these benefits to PACE program participants.

15 **C. Renovate America Ignored Borrowers’ Ability to Repay.**

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

20 40. Renovate America failed to do that. During the class period, Renovate America’s
21 underwriting standards did not contain an ability to repay criterion. The primary consideration for
22 underwriting a PACE loan was whether there is enough equity in the homeowner’s property (i.e.
23 the difference between what the house would sell for and the unpaid amount of any mortgage and
24 other liens). Thus, Renovate America asked only: If the homeowner fails to repay the PACE loan,
25 will the proceeds from the foreclosure be sufficient to repay it? In other words, Renovate America
26 decided whether to make a PACE loan based on whether the loan could be fully repaid by kicking
27 the homeowner out of the house and onto the street.
28

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

3 41. Renovate America did not use licensed mortgage brokers to market or originate
4 PACE loans. Instead, Renovate America drafted battalions of “Renovate Registered Contractors”
5 to both sell PACE financing, and sell and install the home improvements to be financed.
6 Typically, Renovate Registered Contractors introduced homeowners to the PACE program,
7 controlled the financing application process, and obtained homeowners’ signatures on PACE
8 contracts, usually via electronic signature.

9 42. To become a Renovate Registered Contractor, the contractor must have agreed,
10 among other things, to:

- 11 a. Install products for reasonable, market-based prices that are within industry
12 price guidelines, Ex. K at 5 (“Registered Contractor Terms and Conditions”);
- 13 b. Analyze accurately each homeowner’s energy usage, and anticipated energy
14 savings, *id.* at 13, and
- 15 c. Present property owners with the full and complete set of HERO financing
16 documents, when asked to do so by Renovate America. *Id.*

17 43. Renovate America publicly claimed that “Everyone agrees to the rules. Every
18 contractor registered with Renovate America has agreed to follow our guidelines, which includes
19 our industry-leading consumer safeguards.” Ex. L (“Find the Right Contractor, Right Away,”
20 available at <https://www.renovateamerica.com/find-a-contractor>). In fact, the Administration
21 Contract *required* Renovate America to “enforce all policies and procedures for [contractor]
22 compliance.” Ex. F at Ex. A, Statement of Work § 5.2.6.

23 44. In many cases, Renovate Registered Contractors were the primary source of
24 information that homeowners received (or did not receive) about the PACE program and its
25 financing terms before a homeowner entered into a PACE loan. Often, the homeowner did not
26 receive a copy of the PACE financing contract until after the improvement work had already been
27 completed and the homeowner had become obligated to pay for that work.

1 45. Renovate America directly and indirectly encouraged its Renovate Registered
2 Contractors to market PACE aggressively. This encouragement included but was not limited to
3 the following: (a) Renovate America rubber-stamped its approval of payment in full to contractors
4 for any home improvement contract submitted for HERO financing, without regard to whether the
5 contractor followed the guidelines required of a Renovate Registered Contractor; (b) Renovate
6 America instructed its Renovate Registered Contractors that they did *not* need to determine if the
7 potential customer could afford the loan; and, (c) in practice, Renovate America informed its
8 Renovate Registered Contractors how much equity each homeowner had available and instructed
9 the contractors that they could and should base the amount of improvements they sold to
10 homeowners on their available equity

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

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

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

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

1 49. To make those bonds attractive, the County assured potential purchasers that the
2 County would continue to use its official property tax collection apparatus to collect PACE loan
3 payments and “quickly foreclose on a delinquent obligor’s property”—a power that no bank or
4 other lender had at its disposal. Ex. M at 18 (Kroll Bond Rating Agency Hero Funding 2017-2
5 Class Notes Pre-Sale Report).

6 50. But because of statutory restrictions, the County had to pay higher rates of interest
7 to these bondholders. It passed those costs on to PACE program participants through higher
8 interest rates. As County Treasurer and Tax Collector Saladino told the County Supervisors in
9 August 2014, *before* the County implemented the residential PACE program and *before* it
10 engaged Renovate America:

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

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

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

28 52. In addition, the County knew that it would have difficulty in packaging and
flipping its portfolio of PACE loans to Wall Street investors unless it either raised the interest rates
or gave the bondholders the right to require the County to foreclose on any PACE program
participant who failed to repay his or her PACE loan. *See id.* at 4. Sadly, the County did both.

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

2 53. 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 54. 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 55. 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 56. In plain English, the County knew before it launched its residential PACE program,
2 and before it hired Renovate America to administer it, that by giving the County a first priority
3 lien to secure the PACE loan, the vast majority of PACE program participants would
4 automatically be put into default under their mortgages:

5 County Counsel determined that the Federal Mortgage Agencies would likely
6 have the ability to declare an event of default ... as a result of the PACE
7 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.

8 *Id.* at 7.

9 57. In advising the County Board of Supervisors, the County Treasurer and Tax
10 Collector was even more blunt about the plague the County was about to let loose:

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

15 *Id.*

16 58. These 2014 admissions make clear that the County knowingly chose to subject
17 thousands of its most vulnerable citizens to what the County knew was a serious risk of losing
18 their homes.

19 59. Equally appalling, the County knew before it launched the PACE program and
20 hired Renovate America to administer it that one of the key selling points of the PACE program—
21 that the loan is an obligation on the property and not the homeowner—was a mirage. The County
22 Treasurer and Tax Collector was concerned, and the Board of Supervisors knew, that the FHFA
23 could require a County PACE participant to pay off the PACE loan if the homeowner sold or
24 refinanced his or her home. *See id.* at 6. And the County knew that, as a result of adopting the
25 PACE program, Fannie Mae and Freddie Mac might cease purchasing mortgages from banks in
26 the County. *Id.* If that happened, conventional sources of home lending and refinance would
27 disappear. The County also knew that this would affect not only PACE participants, but also
28 “those property owners who have no involvement with PACE except to live in an area that allows

1 for such financings.” *Id.* Here, too, the County turned a blind eye and plunged ahead with the risk
2 to which it was exposing potentially tens of thousands of low-income County homeowners.

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

8 61. The FHFA’s concerns about the PACE program did not stand alone. The FHA
9 issues and insures mortgages on millions of home purchases and refinancings each year. FHA
10 mortgage insurance and loan parameters that meet FHA requirements can be necessary parts of
11 obtaining a loan from a conventional bank. Like the FHFA, the FHA objected to PACE. The
12 FHA refused to insure mortgages on properties with existing PACE Liens, except for the period
13 from July 2016 to December 2017. The FHA was “very concerned about PACE obligations being
14 placed on FHA-insured mortgages that are already outstanding. The post-endorsement placement
15 of these assessments on an FHA-insured mortgage creates a lack of transparency.... In addition,
16 such activity is risky for FHA borrowers and potentially violates the terms of their FHA-insured
17 mortgage.” Ex. H.

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

1 63. 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. O 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 64. 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 65. In response to rampant abuse and harm to homeowners, Kern County ended its
18 PACE program in June 2017. Ex. P (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. Q (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 **I. The SEC and FBI Investigate Defendant Renovate America.**

25 66. In September 2017, the FBI and the SEC launched investigations into the conduct
26 of Renovate America and its PACE lending program. Ex. I (Kristen Grind, “FBI, SEC Look Into
27 Business Practices of Country’s Largest ‘Green’ Lender,” Sep. 26, 2017, available at
28

1 [https://www.wsj.com/articles/fbi-sec-look-into-business-practices-of-countrys-largest-green-](https://www.wsj.com/articles/fbi-sec-look-into-business-practices-of-countrys-largest-green-lender-1506430977)
2 [lender-1506430977](https://www.wsj.com/articles/fbi-sec-look-into-business-practices-of-countrys-largest-green-lender-1506430977)):

3 FBI agents are seeking documents that show how Renovate America
4 marketed its financing to homeowners, trained its sales force and outside
5 contractors, and communicated with investors, according to a document
6 reviewed by the Journal. The FBI also is conducting interviews of people
7 familiar with the company, according to the people who have been
8 interviewed. The information gathered by the FBI may be presented to a
9 grand jury, according to the document.

7 67. Despite these warning signs and chorus of federal criticism, the County and
8 Renovate America have pressed ahead with their PACE program.

9 **ALLEGATIONS SPECIFIC TO THE NAMED PLAINTIFFS**

10 **A. Plaintiff Reginald Nemore**

11 68. Plaintiff Reginald Nemore is a 58-year-old resident of Los Angeles County. At all
12 times relevant here, Mr. Nemore has owned the real property located at 657 E. Ladera Street in
13 Pasadena. According to the County Assessor's office, Mr. Nemore's home is less than 1,200
14 square feet.

15 69. Forced into early retirement by disability, Mr. Nemore spends most of his time
16 caring for his wife, who has Multiple Sclerosis. His income consists of Social Security Disability
17 Income (SSDI) of approximately \$1,241 a month.

18 70. On or about September 29, 2016, Mr. Nemore purportedly entered into a Renovate
19 America PACE assessment contract with the County. The contract covered the installation of
20 some solar panels. The cost of a typical solar installation for a medium-sized house (6kW) in
21 California ranges from \$12,000 to \$15,000. Renovate America's contractor charged Mr. Bowen
22 \$26,247 for the panels, roughly twice the typical price, even though his home is not large. To
23 secure repayment of that contract, the County recorded a PACE Lien on Mr. Nemore's property, a
24 certified copy of which is attached hereto as Exhibit R and incorporated herein by reference.

25 71. The PACE lien secures the \$26,247 that Renovate America's contractor charged
26 Mr. Nemore, plus \$4,000 in Renovate America fees and capitalized interest, plus another \$41,410
27 in interest to be paid over the 25 year life of the PACE loan, for a total of \$71,778 in payments to
28 the County. Even before Renovate America approved that PACE loan, Mr. Nemore's pre-existing

1 debt-to-income ratio was over 95%. His annual PACE assessment of \$2,871 represents 19% of
2 his annual SSI income. If Mr. Nemore wants to hold onto his home, he will have to find a way to
3 pay that assessment, every year, for the next 25 years.

4 **B. Plaintiff Violeta Senac**

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

9 73. On or about May 19, 2016, Ms. Senac purportedly entered into a Renovate
10 America PACE assessment contract with the County. Ms. Senac was then 85 years old. She was
11 providing a home for her disabled adult daughters. Ms. Senac speaks limited English and has poor
12 eyesight. Her only income is her monthly Social Security check. When she purportedly entered
13 into the PACE financing agreement, she had less than \$700 in her bank account.

14 74. The PACE assessment contract covered the installation of one or more toilets,
15 windows, doors, and roofing material. Renovate America's contractor charged Ms. Senac
16 \$39,995. To secure repayment of that assessment contract, the County recorded a PACE Lien on
17 Ms. Senac's property, a certified copy of which is attached hereto as Exhibit S and incorporated
18 herein by reference.

19 75. In addition to the \$39,995 in Renovate America contractor charges, the PACE lien
20 secures \$3,000 in Renovate America fees and capitalized interest, plus another \$47,4378 in
21 interest, all of which are to be paid over the 20-year life of the PACE loan, at the rate of \$4,518
22 per year, for a total of \$90,361 in payments to the County.

23 76. When Ms. Senac purportedly entered into the financing agreement with the County,
24 her pre-existing debt-to-income ratio was approximately 135%. In other words, her monthly debt
25 obligations already exceeded her monthly income *before* she purportedly promised to pay the
26 County a Renovate America PACE assessment of \$4,518 per year. If Ms. Senac wants to continue
27 to live in that house, and provide a home for her disabled daughters, she will have to find a way to
28 come up with that additional \$4,518, every year, for the next 20 years.

1 **C. Plaintiff Aurelia Millender**

2 77. Plaintiff Aurelia Millender is an 81-year-old resident of Los Angeles County. At
3 all times relevant here, Ms. Millender has owned the real property located at 2057 W. 71st Street
4 in Los Angeles. According to the County Assessor's office, Ms. Millender's home was built in
5 1929. It contains 1,446 square feet.

6 78. Ms. Millender's income consists of Social Security and Supplemental Security
7 Income, totaling less than \$1,000 a month. She also usually receives a few hundred dollars a
8 month from a family member. Her monthly income never exceeds \$1,350.

9 79. On or about August 31, 2016 and November 20, 2016, when she was 80 years old,
10 Ms. Millender purportedly entered into two Renovate America PACE assessment contracts with
11 the County. The first covered some exterior paint, which supposedly would lower the temperature
12 inside her house on hot days, and one replacement window. Renovate America's contractor
13 charged Ms. Millender \$18,951 for those items. The second contract covered roof shingles that
14 supposedly would also lower the summertime temperature inside her home. For that, the
15 Renovate America contractor charged her \$20,500. To secure repayment of these assessment
16 contracts, the County recorded two PACE Liens on Ms. Millender's property, certified copies of
17 which are attached hereto as Exhibits T and U and incorporated herein by reference.

18 80. In addition to the \$39,451 in Renovate America contractor charges, the PACE
19 Liens secure \$5,500 in Renovate America fees and capitalized interest, plus another \$49,900 in
20 interest, all of which are to be paid over the 20-year life of the PACE Loans, at the rate of \$4,736
21 per year, for a total of \$90,361 in payments to the County.

22 81. The first of her two PACE Liens caused Ms. Millender's debt-to-income ratio to
23 increase to approximately 48%, and left her with residual income of less than \$700 a month to pay
24 for food, utilities, transportation, etc. Ms. Millender's second PACE Lien caused her debt-to-
25 income ratio to increase to approximately 64%, and left her with residual income of less than \$500
26 per month. Ms. Millender has noticed no meaningful difference in the temperature inside her
27 home from the \$39,451 in wall and roof paint that Renovate America's contractor charged her, or
28 for the \$4,736 per year she will have to pay the County until 2036 to stay in her house.

1 87. The “**Loan Class**” consists of all homeowners residing in the County of Los
2 Angeles: (a) who purportedly entered into a Renovate America HERO assessment contract with
3 Los Angeles County between March 1, 2015 and March 31, 2018, (b) where that assessment
4 contract has been recorded as a lien against the homeowner’s real property, and (c) either:

5 a. the homeowner’s debt-to-income ratio (“DTI”), at the time the contract was
6 purportedly executed, and including the homeowner’s annual PACE obligation, was 50%
7 or more, or

8 b. the homeowner’s DTI, at the time the contract was purportedly executed,
9 and including the homeowner’s annual PACE obligation, was less than 50%, but left the
10 household with residual monthly income of less than \$1,000 for one person, or \$1,000 plus
11 \$500 for each additional household member.

12 88. Plaintiffs Senac, Millender, Nemore and Bowen are members of the Loan Class
13 because their DTI ratios, including the homeowner’s annual PACE obligation, equaled or
14 exceeded 50% at the time their PACE assessment contract was executed, or their DTI was less
15 than 50%, but left the household with residual monthly income of less than \$1,000 for one person,
16 or \$1,000 plus \$500 for each additional household member.

17 89. The “**Elder Subclass**” consists of members of the Loan Class who were 65 years
18 old or older when they purportedly entered into the PACE loan agreement. Plaintiffs Senac,
19 Millender, and Bowen (collectively, the “Elder Plaintiffs”) bring this action also on behalf of the
20 Elder Subclass.

21 90. Defendants and their directors, officers, employees, and affiliates are excluded
22 from the Loan Class and the Elder Subclass.

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

28

1 92. **Community of Interest**: The questions of law and fact common to the Loan Class
2 and the Elder Subclass sufficiently predominate over any questions affecting only individual
3 members as to create a single community of interest between them. The common questions in this
4 case are capable of having common answers. If Plaintiffs’ claims regarding Defendants’ conduct
5 are accurate, Plaintiffs, Class Members, and Elder Subclass Members, will have identical claims
6 capable of being efficiently adjudicated and administered in this case. Among the common
7 questions of law and fact are:

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

10 b. Whether Renovate America breached its duty in the Administration
11 Contract to “ensure best in class protections for property owners from actions such as,
12 including but not limited to, predatory lending” by, for example, failing to consider ability
13 to repay the PACE Liens;

14 c. Whether Defendant Renovate America breached its duty in the
15 Administration Contract to provide “special” or “heightened” protection for senior citizens
16 to confirm they clearly understand the terms of the financing;

17 d. Whether Defendant Renovate America breached its duty in the
18 Administration Contract to provide assistance in multiple languages, other than and in
19 addition to English, to ensure consumers understand the terms of their financing in their
20 native language;

21 e. Whether Defendant Renovate America’s breaches of its contractual
22 obligations under the Administration Contract impaired or reduced the value of Class
23 Members’ properties subject to PACE Liens;

24 f. Whether Defendants Renovate America and the County took, secreted,
25 appropriated, obtained and/or retained the property of the elder Plaintiffs and the Elder
26 Subclass Members;

1 g. Whether Defendants Renovate America and the County assisted in taking,
2 secreting, appropriating, obtaining and/or retaining the property of elder Plaintiffs and the
3 Elder Subclass Members;

4 h. Whether Defendants Renovate America and the County knew or should
5 have known that their conduct was likely to be harmful to the elder Plaintiffs and the Elder
6 Subclass Members, specifically:

7 i. Whether Defendant Renovate America knew or should have known
8 that breaching its agreement in the Administration Contract to provide “special” or
9 “heightened” protection for senior citizens and confirm they clearly understand the
10 terms of the financing, would be likely to be harmful to elder Plaintiffs and the
11 Elder Subclass Members;

12 ii. Whether Defendants Renovate America and the County knew or
13 should have known that elder persons are likely to be harmed if credit is extended
14 to them without an evaluation of the elder person’s ability to repay;

15 i. Whether Defendant Renovate America’s failure to provide essential
16 consumer protections to Class Members constitutes an “unfair” practice under Business &
17 Professions Code sections 17200, et seq.;

18 j. Whether the taking of a property interest in the homes of the Elder Plaintiffs
19 and Elder Subclass Members was “unlawful” under Business & Professions Code sections
20 17200, et seq.;

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

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

26 m. Whether Class Members are entitled to specific performance of the
27 Administration Contract.
28

1 98. Because Defendant Renovate America’s PACE loan application form requires
2 disclosure of the borrower’s birthdate, at all times material Defendant Renovate America knew
3 that the Elder Plaintiffs and the Elder Subclass were over the age of 65.

4 99. Defendant Renovate America has taken, secreted, appropriated, obtained and/or
5 retained the property of the Elder Subclass Members. Defendant Renovate America has received
6 substantial fees and commissions as a result of its activities in originating PACE Liens. For
7 example, Ms. Senac was charged \$2,479 in administrative fees. On information and belief,
8 Defendant Renovate America will continue to receive additional fees and commissions for the life
9 of each PACE Lien, which commissions are paid by homeowners in the form of finance charges.

10 100. Defendant Renovate America has also assisted Defendant County of Los Angeles
11 in taking, secreting, appropriating, obtaining and/or retaining the property of the Elder Plaintiffs
12 and Elder Subclass Members. As described more fully above, Defendant Renovate America’s
13 assistance includes but is not limited to:

- 14 a. Recruiting and ostensibly training home improvement contractors to act as
15 *de facto* mortgage brokers to sell PACE-financed home improvements to homeowners;
- 16 b. Selecting what products and services are actually approved for PACE
17 financing;
- 18 c. Sending and receiving contracts;
- 19 d. Checking properties’ equity, as well as homeowners’ property tax payment
20 history;
- 21 e. Recording PACE Liens; and
- 22 f. Servicing PACE Liens.

23 101. Defendant County of Los Angeles has taken, secreted, appropriated, obtained
24 and/or retained the property of the Elder Subclass Members. Defendant County of Los Angeles
25 executes the assessment contracts that are recorded against the property of each Elder Subclass
26 Member, on the basis of which Elder Subclass Members’ homes can be foreclosed (or that will
27 trigger foreclosures by conventional and reverse mortgage servicers).

28

1 102. Defendant County of Los Angeles has also assisted Defendant Renovate America
2 in taking, secreting, appropriating, obtaining and/or retaining the property of the Elder Subclass
3 Members. As described more fully above, Defendant County of Los Angeles' assistance includes
4 but is not limited to:

5 a. Empowering Defendant Renovate America to originate financing without
6 reference to the borrowers' ability to make the semi-annual payments;

7 b. Failing to oversee Defendant Renovate America's activities or to provide
8 oversight upon learning that financially vulnerable elders are being taken advantage of
9 through Defendant Renovate America's program;

10 c. Promoting the program; and

11 d. Failing to meaningfully evaluate Renovate America's performance as
12 required by sections 13.2.6 and 8.15 of the Administration Contract. *See* Ex. F at Ex. A,
13 Statement of Work.

14 103. Defendants knew or should have known that the Elder Subclass Members were
15 likely to be harmed by these activities because they:

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

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

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

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

24 104. As a result of Defendants' wrongful acts, the Elder Plaintiffs and the Elder
25 Subclass Members have been deprived of property rights insofar as their homes are encumbered
26 by first-priority PACE Liens that reduce their equity, can be foreclosed by the County, and may
27 subject them to foreclosure on pre-existing conventional mortgages or reverse mortgages.
28

1 the County's property owners, including "best in class" protections against predatory lending and
2 "special protections" for seniors. *See* Ex. F at Ex. A, Statement of Work § 5.1.

3 113. Plaintiffs and Class Members, as property owners who utilized the PACE program,
4 are express and intended third party beneficiaries of these and the related "Consumer Protection
5 Measures" provisions of the Administration Contract.

6 114. As express and intended beneficiaries, Class Members were entitled to the benefits
7 and protections of these promises.

8 115. Renovate America breached the Administration Contract by, among other things,
9 failing to provide minimum protections against predatory lending, as evidenced by the fact that the
10 PACE underwriting process did not assess the borrower's ability to repay the loan.

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

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

25 118. Plaintiffs and Class Members have been damaged in an amount subject to proof at
26 trial substantially in excess of the jurisdictional minimum of this court but in an amount estimated
27 to be in the hundreds of millions of dollars, given the number of PACE participants, the value of
28 their homes, the total amount of the PACE Liens, and the diminution in values sustained.

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

3 **THIRD CAUSE OF ACTION**

4 **Violation of California's Statutory Unfair Competition Law**

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

6 **(By All Class Members Against Defendant Renovate America)**

7 120. Plaintiffs repeat and re-allege the allegations of paragraphs 1 through 95 as though
8 they were fully set forth herein.

9 121. Business & Professions Code sections 17200 et seq., also known as California's
10 Unfair Competition Law, prohibits any "unlawful, unfair or fraudulent business act or practice."

11 122. Renovate America has violated, and continues to violate, Section 17203's
12 prohibition against engaging in "unlawful" acts or practices by (a) violating Welfare & Institutions
13 Code section 15657.5, as described above.

14 123. Renovate America has violated, and continues to violate, Section 17203's
15 prohibition against "unfair" acts or practices by the following acts:

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

26 124. As a result of Renovate America's business acts and practices, Plaintiffs and the
27 Class Members have incurred actual financial losses and injuries including first-priority PACE
28

1 Liens on their homes that require payment and may trigger foreclosure by the County or by pre-
2 existing conventional and reverse mortgage lenders.

3 125. Plaintiffs and the Class Members are entitled to an order enjoining Renovate
4 America from continuing to engage in the acts and practices alleged herein.

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

8 **FOURTH CAUSE OF ACTION**

9 **Cancellation of Taxes**

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

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

12 127. Plaintiffs Senac, Millender and Bowen repeat and re-allege the allegations of
13 paragraphs 1 through 95 as though they were fully set forth herein.

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

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

24 130. Section 4990.3 of the Revenue & Tax Code provides that “[a]n action may be
25 brought at any time against ... any county ... to quiet title against the lien of any taxes which have
26 been canceled in accordance with this division.” Accordingly, the Elder Subclass Plaintiffs seek
27 an order cancelling the illegally levied special assessments and quieting title in favor of
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1 themselves and every Elder Subclass Member, with regard to the Renovate America-related PACE
2 Liens clouding title to their properties.

3 **FIFTH CAUSE OF ACTION**

4 **Declaratory Relief**

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

6 131. Plaintiffs repeat and re-allege the allegations of paragraphs 1 through 95 as though
7 they were fully set forth herein.

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

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

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

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

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

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

23 **PRAYER FOR RELIEF**

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

26 1. For an order that this lawsuit properly may be maintained as a class action and
27 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 Renovate America 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 Renovate America's breach of the Administration Contract and specific performance of Renovate America'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

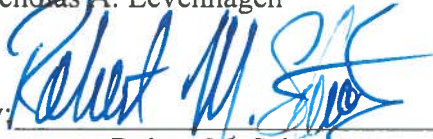
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