InfoSight Newsletter

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League InfoSight Highlight:
Property Assessed Clean Energy (PACE) Loans and Climate Change

Just this week, the CFPB issued a **proposed rule for amendments to the Truth in Lending Act** to support PACE financing. **What is PACE financing anyway?** This type of financing is a tool to allow property owners to finance certain upgrades to property through an assessment on their real property. These upgrades vary, but often include upgrades to promote energy efficiency or to help prepare for natural disasters. These financing agreements are typically made between the consumer and the consumer's local government, leveraging the property tax system for administration of payments. Therefore, PACE financing is repaid through the property tax system along with the consumer's other property tax payment obligations.

The proposed rule is changing an exclusion to the Regulation Z definition of credit relating to tax liens and tax assessments, clarifying that the exclusion would only apply to "involuntary" tax liens and "involuntary" tax assessments. Changes are also being proposed that would impact the Loan Estimate and Closing Disclosures for PACE transactions. These changes would also provide for ability-to-repay requirements but would not provide for a qualified mortgage safe harbor for PACE transactions. Comments are due on or before July 26, 2023.

Credit unions should be aware that PACE loans typically have priority under State law similar to other real property tax liens, which are superior to other mortgage liens on the property. The NCUA issued a Regulatory Alert (**10-RA-10**) back in July of 2010 to remind credit unions of the potential risks of property assessed clean energy loans.

Climate change (generally) is a hot topic! The NCUA also **published a request for information and comment** on climate-related financial risk. Specifically, the request seeks input on the development of potential future guidance, regulation, reporting requirements and/or supervisory approaches for the credit union's management of climate-related financial risks.

Credit unions have the opportunity now to provide their thoughts and comments on both of these publications and as applicable regulations and/or proposed regulations start to form and develop. More importantly, these types of discussions on climate change and potential impact should be occurring at the credit union to stay on top of this evolving topic.

Keep your eye on InfoSight for more information and resources on this topic in the future!

Glory LeDu
CEO, League InfoSight and CU Risk Intelligence

Celebrating AAPI History Month!
Click Below to Learn More!

The Hidden Gem of InfoSight: State-Specific Content

In 2022, more than 1800 credit unions accessed InfoSight from 48 different states. That's nearly 40% of all credit unions nationwide! InfoSight includes access to 14 major compliance areas, and 250+ federal topics within those channels.

InfoSight helps credit unions overcome one of the top compliance challenges faced by credit unions: finding reliable information that is written in a way that is easy to understand. For each topic, InfoSight explains the issue, why it's important to credit unions, and what the credit union needs to do.

As credit unions continue to grow and open branches and have members in different states, it's equally important to understand and comply with relevant laws and regulations specific to the state or states the credit union serves. Many users already know that InfoSight provides access to state-specific information for more than 30 topics for their home state, but they also have the ability to view state-specific information for all 50 states! Simply go to the "Resources" navigation item and click on the "InfoSight Listing by State" option.

InfoSight is an exclusive, FREE benefit of League/Association membership, so login today and take advantage of all InfoSight has to offer! Need help logging in? Contact **info@leagueinfosight.com** for assistance.

Mary Ann Koelzer
Senior Technology Products Manager, League InfoSight

News and Alerts!

NCUA Board Approves Request for Information on Climate Financial Risk

The National Credit Union Administration Board held its fourth open meeting of 2023 and approved a request for information on climate-related financial risk. The Board also was briefed on the maximum interest rate ceiling for federal credit unions and the cybersecurity threats affecting federally insured credit unions and the broader financial system.

The NCUA is seeking input that would strengthen its ability to identify and assess credit unions' current and future climate and natural disaster risks. The NCUA is also seeking stakeholder comments on opportunities to enhance its supervision and regulation of each regulated entity's management of such risks.

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CFPB Proposes New Consumer Protections for Homeowners Seeking Clean Energy Financing

The Consumer Financial Protection Bureau (CFPB) proposed a rule to implement a Congressional mandate to establish consumer protections for residential Property Assessed Clean Energy (PACE) loans. PACE loans, secured by a property tax lien on the borrower's home, are often promoted as a way to finance clean energy improvements such as solar panels. The proposed rule would require lenders to assess a borrower's ability to repay a PACE loan and would provide a framework for how these loans will be treated under the Truth in Lending Act. The CFPB also published a report on residential PACE loans, which found that the loans cause an increase in borrowers falling behind on their mortgage payments, along with other negative credit outcomes.

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CFPB Report Highlights Costly Credit Cards and Loans Pushed on Patients

Financial companies work with healthcare providers to sign patients up for specialty credit cards and other targeted financing products.

The Consumer Financial Protection Bureau (CFPB) published a report on high-cost specialty financial products, such as medical credit cards, that are sold to patients as a way to alleviate the growing costs of medical care. Patients are typically offered these products in a medical provider's office even when their insurance may cover the procedure or they qualify for a hospital's reduced or no-cost financial assistance program. The report finds that these specialty products are typically more expensive for patients than other forms of payment, including conventional credit cards, with interest rates often reaching above 25%. These products can add, instead of remove, the financial stress that comes with medical bills, including decreased access to credit, costly and lengthy collection litigation, and an increased likelihood of bankruptcy.

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