



# HERO AND PACE LIENS

**The Home Energy Renovation Opportunity (HERO) program and Property Assessed Clean Energy (PACE) program** are financing options that allow homeowners to make energy-efficient, renewable energy, and water-saving improvements to their properties. These programs provide funding for upgrades such as solar panels, HVAC systems, and insulation, with repayment structured as an assessment added to the homeowner's property tax bill. Because these programs are not traditional loans but rather tax assessments, they can have significant implications for property title and real estate transactions.

**HERO and PACE liens attach to the property** rather than the individual borrower, meaning that they **remain with the property even if it is sold**. This can create complications during a sale or refinance, as many lenders and title companies view these liens as a first-priority lien, which takes precedence over traditional mortgage financing. As a result, most mortgage lenders will not approve new financing unless the PACE or HERO lien is cleared. Even when a buyer is willing to assume the lien, some lenders still require it to be paid off before closing.

**Clearing a HERO or PACE lien** typically involves paying off the remaining balance before or at the time of closing. Since these liens are tied to property taxes, a demand statement or payoff letter must be obtained from the program administrator, showing the exact amount needed to satisfy the lien. Many

county tax collectors will also provide payoff details as part of a property tax statement. Additionally, sellers and their real estate agents should disclose the presence of a PACE or HERO lien upfront to avoid delays or surprises during escrow.

In some cases, **homeowners may be able to transfer the lien to a buyer**, but this depends on the buyer's lender and the loan program they are using. FHA, VA, and conventional loan guidelines often prohibit the assumption of these assessments, making payoff the only viable option. Even if a buyer is using cash to purchase the home, the existence of the lien can affect their decision or require negotiation.

**Title companies play a crucial role** in identifying and addressing these liens before closing. Because **PACE and HERO** assessments are recorded against the property, they will appear in a title search and **must be cleared to ensure a clean title** transfer. Failure to do so can lead to delays, canceled transactions, or legal issues after the sale.

Ultimately, while **HERO and PACE** programs offer valuable financing for energy-efficient improvements, they also create additional considerations for homeowners looking to sell or refinance. **It is essential for sellers** to review their property tax records, obtain a payoff statement, and work with escrow and title professionals to ensure a smooth transaction.

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