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SUPERIOR COURT OF CALIFORNIA  
COUNTY OF RIVERSIDE

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**SUPERIOR COURT OF THE STATE OF CALIFORNIA  
FOR THE COUNTY OF RIVERSIDE**

RENOVATE AMERICA FINANCE CASES ) Case No. RICJCCP4940  
)  
)  
) **SECOND**  
) **AMENDED CLASS ACTION**  
) **COMPLAINT**

THIS DOCUMENT RELATES TO: )

*Michael Richardson v. County of Los Angeles* ) Judge: Hon. Craig G. Riemer  
No. BC639230 ) Dept.: 05

1 Plaintiffs, Michael Richardson and Shirley Petetan (the "Plaintiffs"), on behalf of  
2 themselves and all others similarly situated, by their undersigned attorneys, as their Amended  
3 Complaint against Defendant Renovate America, Inc. ("Renovate America") for: (1) violation of  
4 California Business and Professions Code § 17200, *et seq.*; and (2) tortious interference with  
5 contract, hereby allege as follows:

6 **INTRODUCTORY STATEMENT**

7 1. Plaintiffs bring this action individually and on behalf of a class comprised of all  
8 persons who signed a contract with the County of Los Angeles ("LAC") for a HERO Loan on  
9 their principal dwelling, and subclass of all members of the Class who paid a recording fee in an  
10 amount greater than the actual cost paid to record the Class member's HERO Loan documents (the  
11 "Subclass") (collectively, the "Class"), against Renovate America seeking to redress Defendant's  
12 pervasive pattern of false, deceptive, and otherwise unlawful practices regarding its origination  
13 and administration of purportedly "energy efficient" home improvement loans under their Home  
14 Energy Renovation Opportunity ("HERO") program, commonly called "HERO Loans."

15 2. The HERO Loan program is comprised of an extremely complex series of  
16 transactions between, among others: (a) Defendant Renovate America; (b) LAC; (c) the Los  
17 Angeles County Tax Collector; (d) investors in securitized notes (the proceeds of which are used  
18 to fund the HERO Loans); and (e) ultimately the HERO Loan borrowers (Plaintiffs and the Class  
19 herein). The HERO Loan program was designed to give low and middle income homeowners the  
20 ability to make energy efficient home improvements through the HERO Loan program.

21 3. As more fully alleged herein, Defendant Renovate America created, designed, and  
22 implemented the HERO Loan program to lend money under California's Property Assessed Clean  
23 Energy or "PACE" financing program, to obtain priority over any existing mortgage(s) on a  
24 borrower's property, to shift the burden of collecting payments on HERO Loans to the county  
25 taxing authority, and to shift the risk of default to purchasers of notes that are backed by  
26 securitized bonds used to finance the HERO Loans.

27 4. While payments made on HERO Loans are collected from borrowers by local  
28 taxing authorities along with their semi-annual property tax payments, the HERO Loans are "tax

1 assessments” in name only, and, in reality, create a consensual security interest in a borrower’s  
2 real property equivalent to a mortgage or deed of trust. Plaintiffs believe that after a reasonable  
3 opportunity for further investigation or discovery, evidence will show that Defendants knew or  
4 reasonably should have known that the HERO Loans were, in fact, loans notwithstanding the  
5 artifices used as alleged herein to obtain priority over any existing mortgage(s) on a borrower’s  
6 property, to shift the burden of collecting payments on HERO Loans to the county taxing  
7 authority, and to shift the risk of default to purchasers of notes that are backed by securitized  
8 bonds used to finance the HERO Loans.

9 5. As more fully alleged herein, Defendant Renovate America operates and  
10 administers the HERO Loan program by materially false and deceptive means, including, but not  
11 limited to: (a) imposing and collecting excessive and unlawful closing costs on borrowers; (b)  
12 secretly double-counting and collecting excessive and unlawful administrative fees on HERO  
13 Loans; (c) secretly imposing and collecting unlawful compound interest on HERO Loans; (d)  
14 imposing and collecting unlawful pre-payment penalties from HERO Loan borrowers; and (e) not  
15 crediting installment payments on HERO Loans until long after borrowers make payments.  
16 Plaintiffs and the Class were victims, and damaged as a result, of these unlawful, unfair and  
17 deceptive practices.

18 6. Defendant Renovate America overcharges virtually every cost, fee, and amount due  
19 from borrowers in the HERO Loan program to maximize its own profits at the expense of HERO  
20 Loan borrowers, *i.e.*, Plaintiffs and the other Class members. Plaintiffs assert their claims against  
21 Renovate America for its administration of the HERO Loan program.

### 22 **JURISDICTION**

23 7. This Court has personal jurisdiction over Defendant because it is doing business in  
24 the State of California within Los Angeles County.

25 8. Venue is proper in this Court pursuant to California Code of Civil Procedure § 395  
26 because the parties agreed to this Court’s jurisdiction and venue to resolve disputes pursuant to the  
27 voluntary contractual assessment contract that Plaintiffs and each Class member entered into with  
28 LAC. This case was centralized in Riverside County by the Judicial Council of California for

1 coordination pursuant to California Code of Civil Procedure § 404.

2 **PARTIES**

3 9. Plaintiff, Michael Richardson (“Richardson”), is an individual residing at 14617 S.  
4 Cahita Ave., Compton, California 90220 (the “Richardson Property”). Richardson owns the  
5 Richardson Property as his primary residence.

6 10. Plaintiff, Shirley Petetan (“Petetan”), is an individual residing at 1500 S. Butler  
7 Ave., Compton, California 90221 (the “Petetan Property”). Petetan owns the Petetan Property as  
8 her primary residence.

9 11. Defendant Renovate America is a Delaware corporation with a principal place of  
10 business located at 15073 Avenue of Science, San Diego, California 92128.

11 12. Non-party LAC has the largest population of any county in the United States with  
12 nearly 10 million residents. LAC is charged with providing numerous services to its residents,  
13 including law enforcement, tax collection, public health protection, public social services,  
14 elections and flood control.

15 **FACTUAL ALLEGATIONS**

16 **California’s PACE Program**

17 13. Chapter 29 of Part 3 of Division 7 of the Streets and Highways Code of the State of  
18 California (“Chapter 29”) authorizes a legislative body, such as Defendant LAC, to designate an  
19 area within which authorized public officials and property owners may enter into voluntary  
20 contractual assessments to finance the installation of renewable, energy efficient improvements or  
21 water conservation improvements that are permanently fixed to real property.

22 14. The financing for Chapter 29 home improvements is commonly known as Property  
23 Assessed Clean Energy or “PACE” financing, and the home improvement loan is commonly  
24 known as a “PACE Loan.”

25 15. Unlike a typical home improvement loan, a PACE Loan is created by a homeowner  
26 signing a voluntary assessment contract with a public entity that allows the public entity to collect  
27 payments on the PACE Loan through the county tax collector.

28 16. The essential features of a PACE Loan are that: (1) the debt for the property

1 improvements attaches to the homeowner's property and is secured by a voluntary contractual  
2 assessment recorded as a lien against the property; (2) the lien created by the PACE Loan has  
3 priority over other debts on the property, including a homeowner's first mortgage; and (3) the  
4 repayment of the PACE Loan is collected by the county tax collector.

5 17. The PACE Loan program has had a controversial history with mortgage industry  
6 participants, such as the Federal National Mortgage Association ("Fannie Mae") and Federal  
7 Home Loan Mortgage Corporation ("Freddie Mac"), that are concerned about local governments  
8 lending money to homeowners who cannot obtain conventional financing for ordinary home  
9 equity loans, especially when those loans are disguised as "tax assessments" with priority over  
10 existing secured mortgage(s).

11 18. On July 6, 2010, the Federal Housing Finance Agency ("FHFA"), the independent  
12 regulatory agency responsible for oversight of secondary mortgage markets including Fannie Mae  
13 and Freddie Mac, issued a statement concerning PACE Loans which directed Fannie Mae, Freddie  
14 Mac, and the twelve Federal Home Loan Banks (the "FHL Banks") to take certain actions to limit  
15 their exposure to financial risks associated with first-lien PACE Loans.

16 19. In a directive issued on February 28, 2011, FHFA expressly directed Fannie Mae,  
17 Freddie Mac, and the FHL Banks not to purchase mortgages affected by voluntary contractual  
18 assessments such as PACE Loans.

19 20. On June 15, 2012, FHFA published Enterprise Underwriting Standards; Proposed  
20 Rule in the Federal Register. In that publication, FHFA noted that:

21 Proponents of first-lien PACE programs have analogized the obligations to repay  
22 *PACE loans* to traditional tax assessments. However, unlike traditional tax  
23 assessments – homeowners opt in, submit applications, and contract with the city  
24 or county's PACE program to obtain the *loan* and repay it.

(Emphasis added).

25 21. On December 22, 2014, FHFA released the following Statement of the Federal  
26 Housing Agency on Certain Super-Priority Liens:

27  
28

1                   Energy Retrofit Financing Programs Structured as Tax Assessments

2                   While FHFA fully supports energy retrofit financing programs to allow  
3                   homeowners to improve energy efficiency, these programs must be structured to  
4                   ensure protection of the core financing for the home and, therefore, cannot  
5                   undermine the first-lien status of Fannie Mae and Freddie Mac mortgages. Some  
6                   entities and localities are advancing the argument that single-family energy retrofit  
7                   financing programs that are structured to make *loans* through the homeowner's  
8                   property tax assessment and require that borrowers repay their *loans* as part of their  
9                   property tax bill should have priority over all other *loans*, including pre-existing  
10                  Fannie Mae and Freddie Mac mortgages. One such program is known as the  
11                  Property Assessed Clean Energy (PACE) program, which often provides *loans* as  
12                  first-liens and is offered in California and in some other states. Localities offering  
13                  these *PACE loans* threaten to move existing Fannie Mae and Freddie Mac  
14                  mortgages to a second lien position and increase the risk of loss to the Enterprises  
15                  [Fannie Mae and Freddie Mac] and by extension, to taxpayers.

16  
17                  In issuing this statement, FHFA wants to make clear to homeowners, lenders, other  
18                  financial institutions, state officials, and the public that Fannie Mae and Freddie  
19                  Mac's policies prohibit the purchase of a mortgage where the property has a first-  
20                  lien *PACE loan* attached to it. This restriction has two potential implications for  
21                  borrowers. First, a homeowner with a first-lien *PACE loan* cannot refinance their  
22                  existing mortgage with a Fannie Mae or Freddie Mac mortgage. Second, anyone  
23                  wanting to buy a home that already has a first-lien *PACE loan* cannot use a Fannie  
24                  Mae or Freddie Mac loan for the purchase. These restrictions may reduce the  
25                  marketability of the house or require the homeowner to pay off the *PACE loan*  
26                  before selling the house.

27                  FHFA believes it is important for states and municipalities to understand these  
28                  restrictions before continuing to offer the programs. Additionally, FHFA believes  
29                  that borrowers should fully understand these restrictions prior to taking out a first-  
30                  lien *PACE loan*.

31                  (Emphasis added).

32                  22.       Despite FHFA's statements regarding PACE Loans, Renovate America's website  
33                  contained the following statement to potential consumers interested in a PACE Loan: "[I]f the  
34                  property is sold, any remaining balance may be legally passed on to the new owner." However,  
35                  Fannie Mae, Freddie Mac, the Federal Housing Administration ("FHA"), and the Veterans  
36                  Administration ("VA") will not purchase mortgages on any property encumbered with an existing  
37                  PACE Loan.

38                  ///

39                  ///

1 **Intended Purpose of PACE Loans and DOE Guidelines**

2 23. In May 2010, the United States Department of Energy (“DOE”) issued Guidelines  
3 for Pilot PACE Financing Programs (the “Guidelines”), in which the DOE announced best  
4 practice guidelines to help implement the PACE programs. The Guidelines were updated in 2016.

5 24. According to the Guidelines, the cost of PACE program home improvements are  
6 expected to pay for themselves over the life of a PACE Loan. In other words, the PACE program  
7 must be designed so that a homeowner’s energy savings should be more than the total amount of  
8 the payments due on the PACE Loan over the life of the loan. The Guidelines provide that PACE  
9 lenders only approve PACE Loans for homeowners who are expected to achieve those net savings.

10 25. The Guidelines also direct that first mortgage holders receive a notice when liens to  
11 secure PACE Loans are placed on property secured by a first mortgage. Since most homeowners  
12 who obtain a PACE Loan to finance home improvements escrow their taxes with their first  
13 mortgage lenders, if a mortgage holder is unaware of a PACE lien, the homeowner’s escrow  
14 balance will be insufficient when a PACE Loan payment is due, requiring the homeowner to pay  
15 the full amount of the PACE Loan payment to the mortgage holder to make up for the shortfall in  
16 his or her escrow account.

17 26. Finally, the Guidelines direct PACE lenders to consider a homeowner’s ability to  
18 repay a PACE Loan and not merely rely upon the homeowner’s equity in his or her property when  
19 approving a PACE loan.

20 27. As alleged more fully below, Defendants have failed to adhere to the DOE’s  
21 Guidelines.

22 **Renovate America’s HERO Loan Program**

23 28. Defendant Renovate America was formed in 2008 to work with local governments  
24 to implement residential PACE programs.

25 29. Renovate America’s PACE program is known as the Home Energy Renovation  
26 Opportunity program, commonly known as the “HERO Loan Program.” Home improvement loans  
27 under the HERO Loan Program are commonly known as “HERO Loans.”

28 30. When Defendant Renovate America creates and implements a HERO Loan

1 Program with a local government partner, it is hired to market, originate and administer HERO  
2 Loans. According to its website, Renovate America offers HERO Loans in at least 48 counties in  
3 the State of California, including Los Angeles County.

4 31. Property owners seeking to participate in the HERO Loan Program are identified,  
5 selected, and pre-approved by Renovate America and then enter into a home improvement  
6 contract with a contractor and have the improvements completed before the financing is put in  
7 place and before any lien is recorded against the property.

8 32. To participate in the HERO Loan Program, a property owner must meet the  
9 following three qualifications:

- 10 a. mortgage related debt on the property must not exceed 90% of the value of  
11 the property;
- 12 b. the property owner must be current on his or her property taxes and there  
13 must be no more than one late payment in the past three years; and
- 14 c. the property owner must be current on all property debt at the time of the  
15 application and cannot have had more than one 30-day mortgage late  
16 payment over the previous 12 months.

17 33. In addition, to qualify for the HERO Loan Program, the proposed project must  
18 meet the following two requirements:

- 19 a. the amount to be financed under the program may not exceed 15% of the  
20 value of the property; and
- 21 b. the combined amount to be financed under the program plus the mortgage-  
22 related debt must not exceed 100% of the value of the property.

23 34. Renovate America determines the value of a property using an automated valuation  
24 model ("AVM"), provided by a purportedly independent third-party vendor. If an AVM value is  
25 not available for a particular property, Defendant Renovate America uses the assessed value of the  
26 property instead.

27 35. Renovate America does not perform the home improvements it finances. Instead,  
28 Renovate America uses thousands of local contractors participating in the Hero Loan Program to



1 perform the home improvements.

2 36. Renovate America enters into a Registered Contractor Participation Agreement  
3 with each and every contractor that participates in the Hero Loan Program. That agreement  
4 requires participating contractors to “[c]omply with all local, state and federal marketing and  
5 telemarketing laws, regulations and rules, including but not limited to the Telephone Consumer  
6 Protection Act and the Truth in Lending Act.”

7 37. Renovate America provides participating contractors with marketing materials as  
8 well as information about the value of a potential customer’s home.

9 38. Therefore, a door-to-door salesman (i.e. contractor) trying to induce a homeowner  
10 to enter into a HERO Loan will know before even approaching a homeowner approximately how  
11 much the homeowner can borrow through the HERO Loan Program.

12 39. With this information in hand, a door-to-door salesman (i.e. contractor) seeking to  
13 induce a homeowner into entering into a HERO Loan typically gives a homeowner an inflated  
14 quote on the home improvement work that purportedly will reduce his or her energy costs so that  
15 the amount quoted comes fairly close to the maximum amount the salesman knows the  
16 homeowner will be able to borrow under the HERO Loan Program.

17 40. Renovate America’s marketing materials include “Contractor Talking Points,”  
18 which advise contractors that they may inform prospective HERO Loan borrowers that they will  
19 “be able to transfer any remaining balance” on a HERO Loan to the new owners if they sell their  
20 homes. However, as alleged above, Fannie Mae, Freddie Mac, FHA, and the VA will not  
21 purchase mortgages on any property encumbered with an existing PACE Loan.

22 **Renovate America and LAC’s Involvement in the PACE Program**

23 41. On or about March 3, 2015, LAC agreed with Defendant Renovate America that  
24 Renovate America would implement the HERO Loan Program in Los Angeles County.

25 42. Defendant Renovate America agreed with LAC that LAC would raise funds for the  
26 HERO Loan Program exclusively through the sale of improvement bonds to Renovate America.

27 43. Defendant Renovate America agreed to provide services for the HERO Loan  
28 Program, including, but not limited to: reviewing and editing all policies for the HERO Loan

1 Program; providing documentation required for registering HERO contractors; accepting,  
2 processing and approving borrowers' HERO Loan applications; approving proposed HERO  
3 improvements; providing HERO financing disclosures; accepting, processing and approving  
4 HERO funding requests; issuing and executing contractual assessment agreements; recording lien  
5 documents; issuing payments to contractors; creating all forms needed for the HERO Loan  
6 Program; designing and building the HERO Loan Program website; pulling all credit, title,  
7 valuation and other reports; reviewing the eligibility of borrowers' properties; providing  
8 notifications of approval, denial or incomplete status of borrowers' HERO applications; and  
9 preparing HERO Loan payoff letters.

10 44. Renovate America also agreed to work with LAC to promote the HERO Loan  
11 Program.

12 45. Renovate America further agreed to develop a standard set of documents suitable to  
13 the parties for use in the HERO Loan Program.

14 46. In addition, Renovate America agreed to ensure that the HERO assessments are  
15 placed on the appropriate property owner's property tax bill.

16 47. LAC announced its HERO Loan Program and began taking applications to  
17 participate in the HERO Loan Program in May 2015.

18 48. As alleged above, LAC has no funds to finance the HERO Loans to property  
19 owners. Thus, to fund the HERO Loans, LAC issues improvement bonds under the Improvement  
20 Bond Act of 1915 (California Streets and Highways Code §§ 8500, *et seq.*) (the "PACE Bonds").  
21 Pursuant to a Bond Purchase Agreement between LAC and Renovate America, Renovate America  
22 is required to buy all the PACE Bonds issued by LAC for a purchase price equal to the  
23 outstanding principal amount of the bond plus accrued interest.

24 49. The PACE Bonds are secured by the liens created as a result of the HERO Loans  
25 on real property owned by the HERO Loan participants.

26 50. Renovate America's PACE Bond portfolio is pooled and asset-backed notes are  
27 issued and sold to investors to finance the purchase of LAC's bonds by Renovate America.

28 51. Defendant Renovate America's principal source of revenue is derived from HERO

1 Loan origination fees as well as the interest rate differential between the interest it receives on the  
2 PACE Bonds and the interest it pays on the asset-backed notes sold to investors.

3 52. To date, Renovate America has originated over 100,000 HERO Loans, representing  
4 more than \$2 billion in funding for residential property owners in California.

5 53. The PACE Bonds are practically risk-free because the bonds are secured by the  
6 unpaid contractual assessments and have first-lien status over each borrower's pre-existing  
7 mortgage(s).

8 54. At all times relevant hereto, Defendant Renovate America has charged each HERO  
9 Loan borrower an administrative fee of between five and more than seven percent of the stated  
10 amount of his or her HERO Loan, a portion of which is retained by Renovate America.

11 55. On or about November 19, 2013, Renovate America filed PTO Form 1553 –  
12 Trademark/Service Mark Allegation of Use with the United States Patent and Trademark Office.  
13 On that form, Renovate America stated that the HERO trademark was being used in connection  
14 with the “financial administration of *loans* for home improvements under property assessed clean  
15 energy (PACE) programs; financial consulting in the field of *financing and loan services* for  
16 property assessed clean energy (PACE) programs.” (Emphasis added).

17 **Facts Related to Richardson's HERO Loan Transaction with Renovate America**

18 56. In September 2015, a salesman/contractor from Smart Home Solutions, Inc.  
19 (“Smart Home”) made a visit to the Richardson Property to discuss replacing the roof, windows  
20 and stucco.

21 57. The salesman/contractor told Richardson that he could obtain financing for the  
22 work through Renovate America's HERO Loan Program.

23 58. The salesman/contractor told Richardson that the cost of the work would be  
24 approximately \$43,159.00.

25 59. Richardson executed a HERO Program assessment contract on September 9, 2015  
26 (the “Assessment Contract”).

27 60. Section 5 of the Assessment Contract stated that the assessment plus interest, the  
28 additional administrative assessment, and any penalties incurred as a result of any delinquency in

1 the payment of any installment of the assessment "shall constitute a lien" on the Richardson  
2 Property.

3 61. Attached as Exhibit B to Richardson's Assessment Contract is a "List of Contract  
4 Documents, Disbursement, and Schedule of Annual Assessment Installments, Including Principal,  
5 Interest and Annual Assessment Administrative Fee."

6 62. According to Exhibit B of Richardson's Assessment Contract, the maximum  
7 disbursement amount was \$51,077.00 and the estimated disbursement date was to be no later than  
8 December 27, 2015.

9 63. Exhibit B to Richardson's Assessment Contract also stated as follows: "Interest  
10 totaling a maximum of \$3,793.38 will accumulate until the Property Owner's first payment. That  
11 amount will be added to Property Owner's Estimated Disbursement Amount."

12 64. Exhibit B to Richardson's Assessment Contract stated that the "Assessment Interest  
13 Rate is 8.35%."

14 65. Exhibit B to Richardson's Assessment Contract stated that:

15 The Annual Percentage Rate (APR) of your assessment is 10.80%. APR is the  
16 annual interest rate Property Owner will actually pay on Property Owner's  
17 Assessment, including fees required in order to participate in the HERO program.

18 66. Exhibit B to Richardson's Assessment Contract estimated that "[t]he total  
19 administrative fees, recording fees and annual assessment added to Property Owner's Assessment  
20 is \$2,435.37."

21 67. Exhibit B of Richardson's Assessment Contract contains the following paragraph:

22 **Prepayment**

23 You have the right to pay off your assessment lien amount at any time in full, or in  
24 any amount of at least \$2,500 pursuant to Section 3(d) of the Assessment Contract.  
25 However, if you do so, you will have to pay the principal amount of the assessment  
26 to be prepaid (the "Assessment Prepayment Amount") and interest on the  
27 Assessment Prepayment Amount to the second business day of the second month  
28 following the date the prepayment is made.

26 68. LAC countersigned the Assessment contract on September 9, 2015.

27 69. Subsequent to the execution of the Assessment Contract, Richardson and Smart  
28 Home executed a Completion Certificate. The fully executed Completion Certificate was returned

1 to Renovate America shortly thereafter.

2 70. On information and belief, Renovate America paid the sum of \$43,159.00 directly  
3 to Smart Home after receiving the fully executed Completion Certificate.

4 71. On November 24, 2015, Renovate America recorded a Notice of Assessment and  
5 Payment of Contractual Assessment Required dated November 18, 2015 with the Los Angeles  
6 County Recorder's Office (the "Recorded Notice of Assessment").

7 72. The Recorded Notice of Assessment for Richardson's HERO Loan was in the  
8 principal amount of \$48,777.71.

9 73. Page 2 of the Recorded Notice of Assessment states that:

10 NOTICE IS FURTHER GIVEN that upon the recording of this notice in the office of the  
11 County Recorder, the Assessment shall become a lien upon the Property. In addition, the  
12 Annual Administrative Assessment shall become a lien upon the Property at the same time  
as property taxes upon the Property become a lien each year.

13 **Richardson Requested a Payoff for His HERO Loan**

14 74. In August 2016, Richardson requested a payoff statement from Renovate America.  
15 Thereafter, Renovate America provided Richardson with a "HERO Program Payoff Statement"  
16 dated August 12, 2016 (the "HERO Payoff"). Upon information and belief, the HERO Payoff was  
17 prepared by Renovate America.

18 75. According to the HERO Payoff, the total payoff amount needed to satisfy  
19 Plaintiff's HERO Loan was \$49,456.53 broken down as follows:

20

Description of Payment	
Project Cost (labor and products) 12/2/2015	\$43,159.00
HERO Administrative program cost	\$2,434.01
County recording and processing fee	\$130.00
Interest from 12/2/2015 to 11/2/2016	\$3,733.52
<b>TOTAL PAYOFF AMOUNT DUE:</b>	<b>\$49,456.53</b>

21  
22  
23  
24  
25 76. According to the HERO Payoff, LAC issued Bond Series 160114-BE-LA-R-04-  
26 20A to finance the cost of his improvements.

27  
28 77. In order to pay off Richardson's HERO Loan, Renovate America demanded

1 Richardson pay interest to November 2, 2016 even though the HERO Payoff was only valid  
2 through September 26, 2016. In other words, Renovate America demanded that Richardson pay  
3 interest even after his HERO Loan was paid off.

4 **Facts Related to Petetan's HERO Loan Transaction with Renovate America**

5 78. In or about November 2015, a salesman/contractor from Smart Home made a visit  
6 to the Petetan Property to discuss replacing the roof and stucco.

7 79. The salesman/contractor told Petetan that she could obtain financing for the work  
8 through Renovate America's HERO Loan Program.

9 80. The salesman/contractor told Petetan that the cost of the work would be  
10 approximately \$40,082.00.

11 81. Petetan executed an Assessment Contract on November 12, 2015.

12 82. Section 5 of Petetan's Assessment Contract stated that the assessment plus interest,  
13 the additional administrative assessment, and any penalties incurred as a result of any delinquency  
14 in the payment of any installment of the assessment "shall constitute a lien" on the Petetan  
15 Property.

16 83. Attached as Exhibit B to Petetan's Assessment Contract is a "List of Contract  
17 Documents, Disbursement, and Schedule of Annual Assessment Installments, Including Principal,  
18 Interest and Annual Assessment Administrative Fee."

19 84. According to Exhibit B of Petetan's Assessment Contract, the maximum  
20 disbursement amount was \$52,431.00 and the estimated disbursement date was to be no later than  
21 March 1, 2016.

22 85. Exhibit B to Petetan's Assessment Contract also stated as follows: "Interest totaling  
23 a maximum of \$2,873.30 will accumulate until the Property Owner's first payment. That amount  
24 will be added to Property Owner's Estimated Disbursement Amount."

25 86. Exhibit B to Petetan's Assessment Contract stated that the "Assessment Interest  
26 Rate is 8.35%."

27 87. Exhibit B to Petetan's Assessment Contract stated that:  
28

1 The Annual Percentage Rate (APR) of your assessment is 10.80%. APR is the  
2 annual interest rate Property Owner will actually pay on Property Owner's  
Assessment, including fees required in order to participate in the HERO program.

3 88. Exhibit B to Petetan's Assessment Contract estimated that "[t]he total  
4 administrative fees, recording fees and annual assessment added to Property Owner's Assessment  
5 is \$2,261.57."

6 89. Exhibit B of Petetan's Assessment Contract contains the following paragraph:

7 **Prepayment**

8 You have the right to pay off your assessment lien amount at any time in full, or in  
9 any amount of at least \$2,500 pursuant to Section 3(d) of the Assessment Contract.  
10 However, if you do so, you will have to pay the principal amount of the assessment  
11 to be prepaid (the "Assessment Prepayment Amount") and interest on the  
Assessment Prepayment Amount to the second business day of the second month  
12 following the date the prepayment is made.

13 90. LAC countersigned Petetan's Assessment contract on November 13, 2015.

14 91. Subsequent to the execution of the Assessment Contract, Petetan and Smart Home  
15 executed a Completion Certificate. The fully executed Completion Certificate was returned to  
Renovate America shortly thereafter.

16 92. On information and belief, Renovate America paid the sum of \$40,082.00 directly  
17 to Smart Home after receiving the fully executed Completion Certificate.

18 93. On January 26, 2016, Renovate America recorded a Notice of Assessment and  
19 Payment of Contractual Assessment Required dated November 12, 2015 with the Los Angeles  
20 County Recorder's Office (the "Recorded Notice of Assessment").

21 94. The Recorded Notice of Assessment for Petetan's HERO Loan was in the principal  
22 amount of \$44,599.54.

23 95. Page 2 of the Recorded Notice of Assessment states that:

24 NOTICE IS FURTHER GIVEN that upon the recording of this notice in the office of the  
25 County Recorder, the Assessment shall become a lien upon the Property. In addition, the  
26 Annual Administrative Assessment shall become a lien upon the Property at the same time  
as property taxes upon the Property become a lien each year.

27 **Secret Double-Counting of Accrued Interest**

28 96. In the HERO Loan application, Renovate America tells each HERO Loan borrower

1 that interest will be computed *from the closing date of the loan* until the date of the borrower's  
2 first loan payment, and that accrued interest for that period of time computed in that manner will  
3 be added to the stated amount of the HERO Loan. In the HERO Loan application, Renovate  
4 America does not tell HERO Loan borrowers that they will be charged interest *twice* for that  
5 specified period of time.

6 97. Thus, in his HERO Loan application, Richardson was told by Renovate America  
7 that interest would be computed from the closing date of his HERO Loan until his first loan  
8 payment, but was not told that he would be charged interest *twice* for that period of time.

9 98. Likewise, in her HERO Loan application, Petetan was told by Renovate America  
10 that interest would be computed from the closing date of her HERO Loan until her first loan  
11 payment, but was not told that she would be charged interest *twice* for that period of time.

12 99. In the Assessment Contract, however, Renovate America identifies a *different*  
13 period of time for computing accrued interest. In the Assessment Contract, Renovate America  
14 tells each HERO Loan borrower that interest will be computed starting *from the date on which*  
15 *Defendant LAC issues bonds to finance the work*. In their respective Assessment Contracts,  
16 Renovate America did not tell Richardson or Petetan that he or she will be charged interest *twice*  
17 for that other specified period of time.

18 100. Beginning in or about October 2015, however, in the financing summary, Renovate  
19 America has identified a *third* period of time for computing accrued interest. Since in or about  
20 October 2015, in the financing summary Renovate America has told each HERO Loan borrower  
21 that interest will be computed *from the date on which the work is completed* until the date of the  
22 borrower's first loan payment, and that accrued interest computed in that third manner would be  
23 added to the stated amount of the HERO Loan. In the financing summary, Renovate America  
24 does not tell HERO Loan borrowers they will be charged interest *twice* for that third specified  
25 period of time.

26 101. Renovate America never told HERO Loan borrowers, and HERO Loan borrowers  
27 did not agree, that interest would be charged for a *second time* on the accrued interest added to the  
28 stated amount of the HERO Loan.



1           102. In fact, Renovate America secretly charges interest *twice* on the amount of accrued  
2 interest added to the stated amount of all the HERO Loans from whenever the accrued interest is  
3 calculated until the date of the borrower's first loan payment. Renovate America inflated the  
4 stated amount of each HERO Loan by the amount of accrued interest, and then re-computed  
5 interest on that inflated amount from the first day of the accrual period (whether the closing date  
6 of the loan, the bond issuance date, or the completion date), as though the interest had not been  
7 paid and capitalized.

8           103. The double-counted interest, which is *not* disclosed to HERO Loan borrowers  
9 (Plaintiffs and the Class members herein) or agreed to by them, is amortized over the entire life of  
10 the loans and included (without any credit or setoff) in any payoff amounts given to them.

11           104. By capitalizing accrued interest *and* compounding interest on the higher principal  
12 amount from the first day of the accrual period as though interest had not been accrued and  
13 capitalized, Renovate America secretly double-counted interest on the HERO Loans.

14 **Secret Double-Counting of Administration Fees**

15           105. During the relevant time period, in the HERO Loan applications, Renovate  
16 America stated that it would charge each HERO Loan borrower a "one-time administration fee"  
17 based upon the "principal amount" of his or her HERO Loan, a portion of which is then retained  
18 by Renovate America.

19           106. Upon information and belief, during the relevant time period, the amount of the  
20 administration fee was 4.99%.

21           107. In the HERO Loan applications given to Plaintiffs, Renovate America stated they  
22 would be charged a one-time administration fee of 4.99% of the "principal amount" of their  
23 assessments and that the one-time administration fee would be added to the assessment amount.

24           108. Renovate America does not define the term "principal amount" in any of the HERO  
25 Loan Program documents. In the documents, Renovate America variously uses the terms  
26 "principal amount," "assessment," "assessment amount," and "assessment lien amount" without  
27 defining any of those terms, leaving the meaning of the terms misleading, unclear and confusing to  
28 Plaintiffs and Class members.

1           109. In fact, the actual administration fee charged and collected by Renovate America is  
2 not 4.99%, but in fact is 5.2521%. This higher fee is because Renovate America charges and  
3 collects an administration fee *on the administration fee* as well as on the principal amount of the  
4 HERO Loan, thus secretly double-counting the administration fees they receive in the same way  
5 they secretly double-count interest.

6           110. The formula used by Renovate America to calculate the administration fee is not  
7 simply the “principal amount” of the HERO Loan multiplied by the stated percentage of the  
8 administration fee, as the HERO Loan documents state. Rather, the actual formula Renovate  
9 America uses to calculate the administration fee is the sum of the project cost, plus accrued  
10 interest, the annual assessment administration fee, and the recording fee, multiplied by the  
11 reciprocal of one minus the stated percentage of the administration fee minus one. That formula,  
12 which yields a percentage administration fee significantly *higher* than the percentage stated in  
13 each HERO Loan borrower’s loan application, is never disclosed to the HERO Loan borrowers  
14 (Plaintiffs and the Class members).

15           111. For Plaintiffs, the actual formula Renovate America used to calculate the  
16 administration fee is as follows:

17                      $\$46,343.70 \times (1/(1 - 0.0499) - 1) = \$2,434.01$  (Richardson)

18                      $\$42,374.02 \times (1/(1 - 0.0499) - 1) = \$2,225.52$  (Petetan)

19           112. Therefore, the actual administration fee charged to Plaintiffs was 5.2521%, which  
20 is significantly higher than the 4.99% administration fee disclosed in Plaintiffs’ HERO Loan  
21 applications.

22           **Failure to Credit Payments When Made**

23           113. In California, property taxes are collected by the various counties although they are  
24 governed by California State law. In order to determine the amount of a homeowner’s property  
25 taxes, the county assessor must first assess the value of the property. Generally, the assessed value  
26 is the market value at the time of purchase. Pursuant to Proposition 13, a law approved by  
27 California voters in 1978, the value of a property cannot increase by more than 2% per year unless  
28 the property is sold or any new construction is completed, at which time the property must be

1 reassessed.

2 114. After the assessor has determined the property's value, the auditor-controller  
3 applies the appropriate tax rates, which include the general tax levy, locally voted special taxes,  
4 and any city or district assessments. The general tax levy is determined in accordance with State  
5 law and is limited to \$1 per \$100 of the assessed value of the property pursuant to Proposition 13.  
6 Special taxes and district assessments are passed by vote. The county tax collector prepares  
7 property tax bills based on the Auditor-Controller's tax calculations, distributes the tax bills and  
8 collects the taxes.

9 115. Property taxes are payable in two installments for a fiscal year that begins on July 1  
10 and ends on June 30. The first installment is due on November 1 (and must be paid on or before  
11 December 10 without incurring a 10% penalty); the second installment is due on February 1 (and  
12 must be paid on or before April 10 without incurring a 10% penalty). Thus, for example, in the  
13 2016-2017 Fiscal Tax Year, the first installment was due on November 1, 2016 and the second  
14 installment was due on February 1, 2017.

15 116. Richardson has made timely semi-annual payments on his HERO Loan as required  
16 by Richardson's Assessment Contract.

17 117. Petetan has made timely semi-annual payments on her HERO Loan as required by  
18 Petetan's Assessment Contract.

19 118. Unbeknownst to Plaintiffs and the other Class members, Renovate America does  
20 not apply the semi-annual HERO Loan payments to outstanding principal and accrued interest  
21 when they are made. Rather, Renovate America applies payments to outstanding principal and  
22 accrued interest only once every year, on September 2 of each year, the date principal payments on  
23 the PACE Bonds are due.

24 119. Plaintiffs and the other Class members reasonably expected that their HERO Loan  
25 payments would be applied and credited against accrued interest and outstanding principal when  
26 those HERO Loan payments were made, not months after the payments were made.

27 120. Because Renovate America does not credit HERO Loan payments when they are  
28 made, they secretly increase the total amount of interest that they charge and collect from Class

1 members.

2 **Improper Amortization of HERO Loans**

3 121. To amortize a HERO Loan, Defendant Renovate America calculated the amount of  
4 each semi-annual HERO Loan payment by calculating a single annual payment, and then dividing  
5 that annual payment by two. That amortization method was improper and resulted in two semi-  
6 annual payments that were higher than they would have been had Renovate America properly  
7 amortized the HERO Loans.

8 122. To amortize the HERO Loans properly, Renovate America was required to take  
9 into account two semi-annual payments, not a single annual payment. This is because the first  
10 semi-annual payment, made before the end of the year in which the two payments were made,  
11 reduced the outstanding principal amount of the HERO Loan on which interest accrued during the  
12 interim period before the second semi-annual payment was made.

13 123. By amortizing the HERO Loans as though only a single annual payment was made  
14 at the end of the year, Renovate America inflated the amount paid by Plaintiffs and the other  
15 HERO Loan borrowers each year. That Renovate America divided the inflated amount in two  
16 equal payments did not change the over-calculation of the total amount of the payments each year.

17 124. By amortizing the HERO Loans in this improper manner, Renovate America  
18 increased the amount of interest it collected and will collect from Plaintiffs and the other HERO  
19 Loan borrowers.

20 **Defendant Renovate America Overcharged Petetan the "Pass-Through" Recording Fee**

21 125. In Petetan's HERO Loan application, Renovate America stated that "[a]t the time  
22 of closing, LA County will *pass-through* the assessment recording fee of *approximately* \$95.00 to  
23 you to cover the costs of recording the assessment." (Emphasis added).

24 126. Upon information and belief, prior to the time that Renovate America provided  
25 Petetan with a HERO Financing Program Final Payment Summary, Renovate America knew that  
26 the actual recording fee to record Petetan's HERO Loan documents with the LA County recorder  
27 would be \$93, or \$2 less than the \$95 "estimated" recording fee disclosed in Petetan's HERO  
28 Loan Application. However, Renovate America included the \$95 "estimated" recording fee

1 instead of the \$93 actual recording fee in Petetan's HERO Loan.

2 127. Renovate America mislead Petetan and the Recording Fee Overcharge Subclass  
3 borrowers to believe that they would only be charged for the actual or "pass-through" cost of the  
4 recording fees when in fact, Renovate America charged Petetan and the Recording Fee  
5 Overcharge Subclass borrowers the "estimated" recording fee regardless of the actual amount of  
6 the recording fee, which "estimated" amount was higher than the actual amount.

7 128. In addition, Renovate America computed accrued interest on the project cost plus  
8 the inflated "estimated" recording fee (not the actual "pass-through" recording fee), and charged  
9 the administration fee on the project cost, plus the over-stated accrued interest and the inflated  
10 recording fee. Renovate America then amortized interest on that entire overstated amount for the  
11 entire duration of each Recording Fee Overcharge Subclass member's HERO Loan.

12 *Understatement of Estimated APR*

13 129. Throughout the relevant time period, Renovate America disclosed to Plaintiffs and  
14 each Class member the estimated annual percentage rate ("APR") for each borrower's HERO  
15 Loan. On information and belief, prior to September 2016, Renovate America did not disclose the  
16 final APR to HERO Loan borrowers.

17 130. On information and belief, during the relevant time period, Renovate America  
18 improperly calculated the estimated APR for each HERO Loan by failing to subtract  
19 administration fees, recording fees, and the annual assessment fee from the APR calculation and  
20 by treating prepaid and capitalized interest as if it had not been prepaid.

21 131. The stated interest rate in Richardson's Assessment Contract was 8.35% and the  
22 estimated APR for Richardson's HERO Loan disclosed in his Assessment Contract was 9.38%.  
23 However, if calculated properly, the APR for Richardson's HERO Loan using the assumptions  
24 listed on Exhibit B of Richardson's Assessment Contract exceeds 10%.

25 132. The stated interest rate in Petetan's Assessment Contract was 8.35% and the  
26 estimated APR for Petetan's HERO Loan disclosed in her Assessment Contract was 9.36%.  
27 However, if calculated properly, the APR for Petetan's HERO Loan using the assumptions listed  
28 on Exhibit B of Petetan's Assessment Contract exceeds 10%.

1 CLASS ACTION ALLEGATIONS

2 133. Plaintiffs bring this action pursuant to Code of Civil Procedure § 382 as a class  
3 action on behalf of themselves and all others similarly situated for the purpose of asserting the  
4 claims alleged in this Amended Complaint on a common basis.

5 134. The Class is comprised of all persons or entities who signed a contract with LAC  
6 for a HERO Loan on their principal dwelling (the "Class"). Renovate America and its directors,  
7 officers, employees, and affiliates are excluded from the Class.

8 a. The "Subclass" is composed of all members of the Class who paid a recording  
9 fee in an amount greater than the actual cost paid to record the Class member's  
10 HERO Loan documents.

11 135. Although Plaintiffs do not presently know the exact size of the Class or the names  
12 and addresses of all Class members, such information can be readily obtained from the books and  
13 records of Renovate America. Upon information and belief, over 5,000 HERO Loans were made  
14 to Class members who participated in the HERO Loan Program during the relevant time period.  
15 Thus, the proposed Class is so numerous that joinder of all members is impracticable.

16 136. The claims of all members of the Class involve common question of law and fact  
17 including:

- 18 a. whether Renovate America violated § 17200 by engaging in unlawful, unfair  
19 and/or deceptive activities with respect to the HERO Loans;
- 20 b. whether Renovate America tortiously interfered with Plaintiffs and the Class  
21 members' Assessment Contracts.
- 22 c. whether Plaintiffs and the Class members are entitled to damages/equitable  
23 relief by reason of Renovate America's wrongful conduct alleged herein and, if  
24 so, what measure of such damages and/or equitable relief is proper;
- 25 d. whether Plaintiffs and the Class members are entitled to injunctive relief by  
26 reason of Renovate America's wrongful conduct.

27 137. In addition, Renovate America has acted or failed to act as alleged herein on  
28 grounds that apply generally to the Class, so that final injunctive relief is appropriate respecting

1 the Class as a whole.

2 138. The common questions of law and fact predominate over any potential individual  
3 issues.

4 139. Plaintiffs' claims are typical of the claims of all other members of the Class.  
5 Plaintiffs' interests do not conflict with the interests of any other member of the Class, in that  
6 Plaintiffs and the other members of the Class were subjected to the same unlawful conduct.

7 140. Plaintiffs are committed to the vigorous prosecution of this action and have  
8 retained competent legal counsel experienced in class action and complex litigation.

9 141. Plaintiffs are adequate representatives of the Class and, together with their  
10 attorneys, are able to and will fairly and adequately protect the interests of the Class and its  
11 members.

12 142. A class action is superior to other available methods for the fair, just, and efficient  
13 adjudication of the claims asserted herein. Joinder of all members of the Class is impracticable  
14 and, for financial and other reasons, it would be impractical for individual members of the Class to  
15 pursue separate claims.

16 143. Moreover, the prosecution of separate actions by individual members of the Class  
17 would create the risk of varying and inconsistent adjudications, and would unduly burden the  
18 courts.

19 144. Plaintiffs anticipate no difficulty in the management of this litigation as a class  
20 action.

21 **FIRST CAUSE OF ACTION**  
22 **Violations of Unfair/Fraudulent Prong of California Business and Professions Code §§**  
23 **17200, *et seq.***

24 145. Plaintiffs repeat and reallege the allegations set forth above as though they were  
25 fully set forth herein.

26 146. California Business and Professions Code §§ 17200, *et seq.* prohibits any unlawful,  
27 unfair, or deceptive business act or practice.

28 147. Defendant Renovate America has engaged in and continues to engage in unfair and  
deceptive business practices which are substantially likely to mislead the public by: (i) secretly

1 charging and collecting double interest; (ii) secretly charging and collecting double administrative  
2 fees; (iii) secretly failing to credit payments when made; (iv) improperly amortizing HERO Loans;  
3 and (v) improperly calculating the APRs disclosed to HERO Loan borrowers, all in the manner  
4 alleged above.

5 148. Plaintiffs relied upon Renovate America's unfair and deceptive acts alleged above  
6 when applying for and entering into his or her HERO Loan and when paying installments due  
7 under his or her HERO Loan, and were damaged thereby. Had Plaintiffs known the truth about  
8 the fees, costs, and terms of their HERO Loan, they would not have entered into a HERO Loan or  
9 would have done so only for lower fees and costs and on different terms.

10 149. Renovate America's business practices alleged above are unfair and deceptive  
11 within the meaning of California Business and Professions Code §§ 17200, *et seq.* because, *inter*  
12 *alia*, Renovate America engaged in acts that deceived, or were likely to deceive, the public.

13 150. Defendant Renovate America's conduct resulted in profits and pecuniary gain  
14 received from homeowners – *i.e.*, Plaintiffs and the other Class members – who entered into  
15 HERO Loans.

16 151. As a direct and proximate result of Defendant Renovate America's conduct alleged  
17 herein, Renovate America has received ill-gotten gains or profits. Therefore, Renovate America  
18 was and is unjustly enriched.

19 152. Pursuant to California Business and Professions Code § 17203, Plaintiffs and the  
20 Class request restitution or disgorgement of all ill-gotten gains, including profits, obtained in  
21 violation of California Business and Professions Code §§ 17200, *et seq.*

22 153. Plaintiffs and the Class seek to enjoin Renovate America from engaging in these  
23 wrongful practices, as alleged herein, in the future. There is no other adequate remedy at law and  
24 if an injunction is not ordered, Plaintiffs and the Class will suffer irreparable harm.

25 **SECOND CAUSE OF ACTION**  
26 **Violations of Unfair/Fraudulent Prong of California Business and Professions Code §§**  
27 **17200, *et seq.***

28 154. Plaintiff Petetan repeats and realleges the allegations set forth above as though they  
were fully set forth herein.



1           155. This claim is asserted by Petetan on her own behalf and on behalf of the Subclass.

2           156. California Business and Professions Code §§ 17200, *et seq.* prohibits any unlawful,  
3 unfair, or deceptive business act or practice.

4           157. Renovate America has engaged in and continues to engage in unfair and deceptive  
5 business practices which are substantially likely to mislead the public by secretly overcharging  
6 recording fees in the manner alleged above.

7           158. Petetan relied upon Renovate America's unfair and deceptive acts alleged above  
8 when applying for and entering into her HERO Loan, and was damaged thereby. Had Petetan  
9 known the truth about the secret recording fee overcharge, she would not have entered into a  
10 HERO Loan or would have done so only for a lower fee and on different terms.

11           159. Renovate America's business practices alleged above are unfair and deceptive  
12 within the meaning of California Business and Professions Code §§ 17200, *et seq.* because, *inter*  
13 *alia*, Renovate America engaged in acts that deceived, or were likely to deceive, the public.

14           160. Renovate America's conduct resulted in profits and pecuniary gain received from  
15 homeowners – *i.e.*, Plaintiffs and the other Subclass members – who entered into HERO Loans.

16           161. As a direct and proximate result of Renovate America's conduct alleged herein,  
17 Renovate America has received ill-gotten gains or profits. Therefore, Defendant Renovate  
18 America was and is unjustly enriched.

19           162. Pursuant to California Business and Professions Code § 17203, Plaintiffs and the  
20 Subclass request restitution or disgorgement of all ill-gotten gains, including profits, obtained in  
21 violation of California Business and Professions Code §§ 17200, *et seq.*

22           163. Petetan and the Subclass seek to enjoin Renovate America from engaging in the  
23 wrongful practice, as alleged herein, in the future. There is no other adequate remedy at law and if  
24 an injunction is not ordered, Plaintiffs and the Class will suffer irreparable harm.

25

26

**THIRD CAUSE OF ACTION**  
**Tortious Interference with Contract**

27

28

164. Plaintiffs repeat and reallege the allegations set forth above as though they were  
fully set forth herein.

1 165. Plaintiffs entered into Assessment Contracts with LAC as alleged herein.

2 166. At all times, Renovate America was aware of the existence of these Assessment  
3 Contracts between, on the one hand, Plaintiffs and the Class Members and, on the other, LAC.

4 167. The Assessment Contracts executed by Plaintiffs nowhere authorizes Renovate  
5 America to: (i) charge and collect double interest; (ii) charge and collect double administrative  
6 fees; (iii) fail to credit payments when made; (iv) improperly amortize his HERO Loan; (v)  
7 overcharge recording fees; and (vi) improperly calculate the APRs disclosed to HERO Loan  
8 borrowers.

9 168. Defendant Renovate America imposed the unauthorized fees described above on  
10 Plaintiffs and Class Members.

11 169. Therefore, Defendant Renovate America knowingly, intentionally, and tortiously  
12 interfered with the performance of Plaintiffs' and the Class Members Assessment Contracts.

13 170. Renovate America's tortious interference has resulted in an actual breach of  
14 Plaintiffs' and the Class Members' Assessment Contracts because Plaintiffs and the Class  
15 Members have been assessed fees not authorized by the Assessment Contracts.

16 171. As a direct, proximate, and foreseeable result of Defendant Renovate America's  
17 tortious interference with Plaintiffs and the Class Members' Assessment Contracts, Plaintiffs and  
18 the Class Members have been injured and sustained damages by not receiving the full benefit of  
19 their contractual bargain.

20 172. Plaintiffs and the Class Members have performed all, or substantially all, of the  
21 obligations imposed on them under the Assessment Contracts.

22 173. As a direct result of Renovate America's breaches, Plaintiffs and the Class  
23 Members have sustained economic losses and are entitled to compensatory damages in an amount  
24 to be proven at trial.

25 **PRAYER FOR RELIEF**

26 WHEREFORE, Plaintiffs, on behalf of themselves and all others similarly situated,  
27 demand relief and judgment against Renovate America as follows:

28 a. certifying the Class and Subclass as requested herein, appointing Plaintiffs as class

1 representatives for the Class and Subclass as applicable and appointing Wolf Haldenstein Adler  
2 Freeman & Herz LLP and McLaughlin & Stern LLP as Lead Counsel for the Class and Subclass;

3 b. actual damages in an amount to be determined at trial for those counts for which  
4 actual damages are available;

5 c. equitable relief for those counts for which equitable relief is available, including  
6 requiring Renovate America to disgorge or return all monies, revenues and profits obtained by  
7 means of any wrongful act;

8 d. declaratory and/or injunctive relief as described in each count hereinabove;

9 e. an award of reasonable attorneys' fees and costs; and

10 f. such other relief at law or equity as this Court may deem just and proper.

11 **DEMAND FOR TRIAL BY JURY**

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

13  
14 DATED: March 15, 2018

**WOLF HALDENSTEIN ADLER**

**FREEMAN & HERZ LLP**

15  
16 By: 

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*Interim Class Counsel for Plaintiffs Michael  
Richardson and Shirley Petetan and the Class*

HERO LA:798292

1 **CERTIFICATE OF SERVICE**

2 I, Kathryn Cabrera, the undersigned, do declare as follows:

3 I am a resident of the County of San Diego; I am over the age of 18 years, and not a party  
4 to, or have any interest in, this legal action; my business address is 750 B Street, Suite 2770, San  
5 Diego, California 92101.

6 On March 15, 2018, I served the following document(s):

7 **AMENDED CLASS ACTION COMPLAINT**

8 on the interested parties in this action:

9 **GOODWIN PROCTER LLP**  
10 Matthew S. Sheldon  
11 Thomas M. Hefferon  
12 901 New York Avenue NW 9th Floor East  
13 Washington, D.C. 20001  
14 Telephone: 202/346-4000  
15 Facsimile: 202/346-4444  
16 msheldon@goodwinprocter.com  
17 thefferon@goodwinprocter.com

**GOODWIN PROCTER LLP**  
Molly K. Madden  
Steven A. Ellis  
601 South Figueroa Street, 41st Floor  
Los Angeles, CA 90017  
Telephone: 213/426-2500  
Facsimile: 213/623-1673  
mmadden@goodwinprocter.com  
sellis@goodwinprocter.com

14 *Attorneys for Defendant Renovate America,*  
15 *Inc.*

*Attorneys for Defendant Renovate America,*  
*Inc.*

16 in the manner identified below on all interested parties:

17 ( ) VIA U.S. MAIL – I enclosed a copy of the document identified above in an  
18 envelope or envelopes and placed the envelope(s) for collection and mailing on  
19 the date and at the place shown above, following our ordinary business practices.  
20 I am readily familiar with this business’s practice of collecting and processing  
21 correspondence for mailing. On the same day that correspondence is placed for  
22 collection and mailing, it is deposited in the ordinary course of business with the  
23 U.S. Postal Service, in a sealed envelope with postage prepaid.

(XX) VIA ELECTRONIC MAIL – Pursuant to an agreement among the parties,  
I served the above document via email to the above parties.

24 I declare under penalty of perjury under the laws of the State of California that the  
25 foregoing is true and correct. Executed this 15th day of March 2018, at San Diego, California.

26   
27 **KATHRYN CABRERA**  
28