



Town of Fairfax Council Memorandum

From: Vice Mayor Larry Bragman
Date: October 1, 2014
Re: Federal Housing Finance Agency and PACE Loans

At our last meeting, Fairfax agreed to move forward to join the Property Assessed Clean Energy (PACE) program to provide low interest loans for clean energy and water saving/efficiency upgrades for property owners in our town. The loans are paid back by yearly payments that appear as assessments on our yearly property tax bill.

The Federal Housing Finance Agency (FHFA) which oversees Fannie Mae and Freddie Mac home loans does not purchase loans from refinancing or new sales on properties that are encumbered by PACE loans. On September 30th, I spoke with Alfred Pollard who stated that Fannie Mae and Freddie Mac are carrying anywhere from 60-70% of the home loans in California. Hence, their policy vastly reduces the availability of PACE financing.

In response to FHFA's withholding of loan financing, the State of California recently established the PACE Loss Reserve Program which will underwrite residential loans from participating PACE providers. The Program would compensate first mortgage lenders for losses attributable to PACE loans. The PACE Loss Reserve program is designed to attenuate the concerns expressed by FHFA. Under the program regulations, existing PACE loans may be covered under the program at no cost.

According to Mr. Pollard, this is a \$10 million fund that will cover only a small percentage of potential loan risk. Hence, FHFA does not believe that the Loss Reserve Program adequately protects the interests of Fannie Mae or Freddie Mac. Mr. Pollard was very firm in restating that FHFA will continue their policy of not accepting the assignment or refinancing of property loans that are encumbered by PACE liens.

In order to change FHFA's policy against PACE, I am requesting that the Council authorize the attached letter to Representative Huffman urging him to lobby FHFA to change their policy and accept refinancing of PACE encumbered properties to help unleash the vast potential of energy upgrades and water conservation in our domestic housing stock.

Respectfully submitted,

Larry Bragman

SUPPLEMENT TO
AGENDA ITEM # 3



TOWN OF FAIRFAX

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October 1, 2014

Mayor
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Honorable Jared Huffman
U.S. House of Representatives
San Rafael District Office
999 Fifth Avenue, Suite 290
San Rafael, CA 94901

Re: Federal Housing Finance Agency and PACE Loans

Dear Congressman Huffman:

On September 3, 2014, the Town of Fairfax joined the Property Assessed Clean Energy (PACE) program. The PACE program provides low interest loans for clean energy and water saving/efficiency upgrades for local homeowners. The loans are paid back by yearly payments that appear as assessments on yearly property tax bills.

As set forth in the attached letter, the Federal Housing Finance Agency, (FHFA), which oversees Fannie Mae and Freddie Mac home loans, does not purchase loans from refinancing or new sales on properties that are encumbered by PACE loans. Because these agencies are holding approximately 60-70% of the home loans in California, this vastly reduces the availability of PACE financing.

In response to FHFA's withholding of loan financing, the State of California recently established the PACE Loss Reserve Program which will underwrite residential loans from participating PACE providers. The Program would compensate first mortgage lenders for losses attributable to PACE loans. The PACE Loss Reserve program is designed to attenuate the concerns expressed by the FHFA. On September 30th, Mr. Pollard reiterated that FHFA does not believe that the program adequately protects their interests, and will continue their policy of not accepting or refinancing home loans that are burdened with PACE liens.

The Fairfax Town Council unanimously requested that you use your legislative powers of persuasion in order to work with FHFA to work out an accommodation which will allow them to modify their policy and accept refinancing of PACE encumbered properties to help unleash the vast potential of energy upgrades and water conservation in our domestic housing stock.

Respectfully submitted,

DAVID WEINSOFF
Mayor of Fairfax