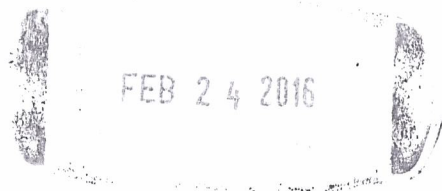




U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-1000

OFFICE OF HOUSING

Mr. David Terry
Executive Director
National Association of State Energy Officials
2107 Wilson Boulevard, Suite 850
Arlington, VA 22201-3147



Dear Mr. Terry:

On behalf of Secretary Julián Castro, thank you for your letter about the Department of Housing and Urban Development's (HUD) efforts to develop national guidance that will allow borrowers purchasing or refinancing properties with Property Assessed Clean Energy (PACE) obligations to use mortgage financing insured by the Federal Housing Administration (FHA) under certain conditions. This information is from HUD's Office of Housing, Home Mortgage Insurance Division.

In your letter, you highlighted the importance of ensuring that PACE statutes and programs serve market needs. FHA agrees, and recognizes that to date, PACE programs have not been well-integrated with the mortgage markets, thereby limiting their traction in the marketplace. As part of its development of policy guidance, FHA is carefully reviewing a range of PACE programs in conjunction with FHA's regulations and origination, servicing, and valuation policies and procedures.

FHA is developing policies that strike the proper balance between supporting PACE and protecting the Mutual Mortgage Insurance (MMI) fund. In addition, FHA is working to implement program requirements in a way that will not create additional operational challenges. This guidance will allow homeowners to benefit from energy efficiency improvements while preserving the marketability of properties with PACE loans. HUD appreciates the insights shared and will take them into consideration when developing guidance on this matter.

The Department trusts that this information is helpful to you.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kevin L. Stevens".

Kevin L. Stevens
Director
Home Mortgage Insurance Division