

FHFA, Fannie Mae and Freddie Mac Support Maine's PACE Program Approach

NASEO

On November 12, 2010, the Federal Housing Finance Agency (FHFA), Fannie Mae, and Freddie Mac issued a letter to Efficiency Maine Trust (Efficiency Maine) to provide comments to Maine's Property Assessed Clean Energy (PACE) Program concluding that the approach Maine is taking complements Fannie and Freddie's goals and efforts to promote sustainable homeownership and maintain liquidity to mortgage markets.

Efficiency Maine's PACE program will work in conjunction with Maine's [Home Energy Savings Program](#), providing additional up-front financing in the form of PACE loans for those energy efficiency home improvements identified through home audits whose costs may exceed the level of available rebates and tax credits. PACE loans can be issued for qualified energy efficiency improvements under Maine's Home Energy Savings Loans Fund, which is a revolving loan fund capitalized by federal stimulus money from the American Recovery and Reinvestment Act (ARRA). The difference between a PACE loan and a traditional loan is that the PACE loan stays with the property rather than the homeowner. In cases where a homeowner sells a home before the loan is paid off, the homeowner may choose to pay off the loan at time of sale or pass it through to the next homeowner. See the [DOE's resources page on PACE](#) for more information.

In response to [Maine's recent rulemaking](#) on their PACE program, FHFA provided comments in support of the overall approach. This latest communication indicates a possible way forward for many state and local governments who are interested in continuing to establish or implement PACE programs. Utilizing a subordinated lien structure, the Maine PACE program maintains that PACE mortgages do not have any special or senior priority and are junior to the first mortgage on the property. Additional provisions regarding loan underwriting criteria and a proposed quality assurance program further mitigate risk and alleviate specific concerns that FHFA, Fannie Mae, and Freddie Mac have raised about PACE programs in the past.

The [rulemaking](#) includes sections on loan underwriting standards, consumer disclosure requirements, terms and conditions for participation, and quality assurance system.

See FHFA's response letter.