

RENEWABLE FUNDING

TO: Friends of Renewable Funding
FR: Cisco DeVries
DATE: July 5, 2010
RE: Fannie/Freddie Update

Last week, high level officials from the Obama Administration met again with leaders from key mortgage and banking regulatory agencies in an attempt to reach an agreement that would clarify the anti-PACE position taken by Fannie Mae and Freddie Mac and allow PACE assessment programs to move forward. Unfortunately, the negotiations ended in a stalemate and the regulators have taken a firm position that PACE programs with senior lien positions will not be acceptable.

We expect that Fannie and Freddie will soon make this position public in the form of new lender guidance letters. In addition, follow-on letters from other banking regulators are expected. As a result, the Department of Energy has already indicated it will discourage grant recipients from using federal funding for PACE residential programs.

You can read more about these actions in the *New York Times* ([June 30](#) and [July 4](#)) and the [Washington Post](#), among others.

Congressional Response/Legislation. In response to the pending action, Renewable Funding is working with the national PACE community to appeal to Congress to resolve this issue and provide a path forward for PACE. There are several Senators and Members of Congress that have indicated their interest in sponsoring that legislation.

In addition, two powerful House committee chairmen (Waxman and Frank) weighed in to push for a resolution on Friday. (You can read about their action in [Reuters](#).) To date, over 50 members of the House and Senate have publicly supported a favorable resolution to the PACE issues. As you may know, Congress previously passed legislation changing the federal tax code to ensure property owners could receive both PACE financing and federal tax credits in February of 2009. If you are interested in helping with this legislative effort, please contact Nick Chaset in our Washington DC office: nick@renewfund.com.

While we work to resolve the matter in the Congress, we are also working to expedite the development of other financial products for energy efficiency and renewable energy. The goal is to be able to drop in a suite of alternative financing options to our existing programs, supported by ARRA funds where available, while we continue to work on a Congressional resolution for residential PACE.

PACE Commercial. Although PACE is more complicated for commercial properties than the residential sector, Renewable Funding has developed a commercial program that is soon to launch in San Francisco. We are in the process of developing commercial programs for other jurisdictions and have been asked by DOE to provide detailed program information so they can help other cities.

Unsecured financing. Renewable Funding is working with a lending partner to develop an unsecured financing product for energy efficiency and renewable energy improvements. While the interest rates are unlikely to be as attractive as the rates for PACE, we expect this product to meet the needs of many consumers and contractors. In addition, ARRA funds can be transferred from PACE programs to help buy down the interest rate in the short term.

Federal Financing Program. We are also working on a low interest loan product for energy efficiency and renewable energy improvements based on an existing federally subsidized home loan program. This effort has the potential to meet a substantial portion of the market as it already includes a substantial federal subsidy.

We will keep you up to date on PACE legislative progress as well as the development of these new financial products.