Big Picture ***PACE*** Math

Assumptions: Average Retrofit Cost: $15,000; Interest Rate: 7.0%; Amortization: 20 Years

Annual Payment: $1,415 Average Period from Default to Foreclosure: 1.5 years

Average PACE Delinquency in Foreclosure: $2,125

Potential Exposure to PACE seniority risk assuming: 5% mortgage default rate: $105/home
8% mortgage default rate: $170/home

If 500,000 homes take out PACE financing of $15,000, then economic activity generated is **$7.5 billion**. With an 8% default rate and 1.5 years of assessment losses, total risk to the portfolio is **$85 Million,** or approximately **1.1%** of the total**.**

Likely overstates the exposure because:

- ✓ PACE guidelines require that only homes with a cushion of positive equity qualify, which ensures that equity will likely be available to satisfy unpaid assessments and mortgage claims
- ✓ All of the lender protections in DOE Guidelines are designed to minimize lender risk
- ✓ Individuals who take out PACE financing for EE retrofits will be a self-selecting group of responsible homeowners, less likely to default
- ✓ Sonoma County PACE program experience: 1,200 homes have taken out PACE financing, to date ZERO defaults on underlying mortgages