

PACE

PROPERTY ASSESSED CLEAN ENERGY

Update, New Federal Legislation, and a Call to Action

July 14, 2011

PACENow

AGENDA

Topic

Page

Speakers

- **Brief Recap of PACE**
- **FHFA, OCC July 2010 Statements and Response**
 - **House, Senate bills**
 - **6 Lawsuits vs. FHFA**
- **Re-framing PACE after Nov 2010**
- **PACE Act 2011: Bi-Partisan Bill**
- **Call to Action**

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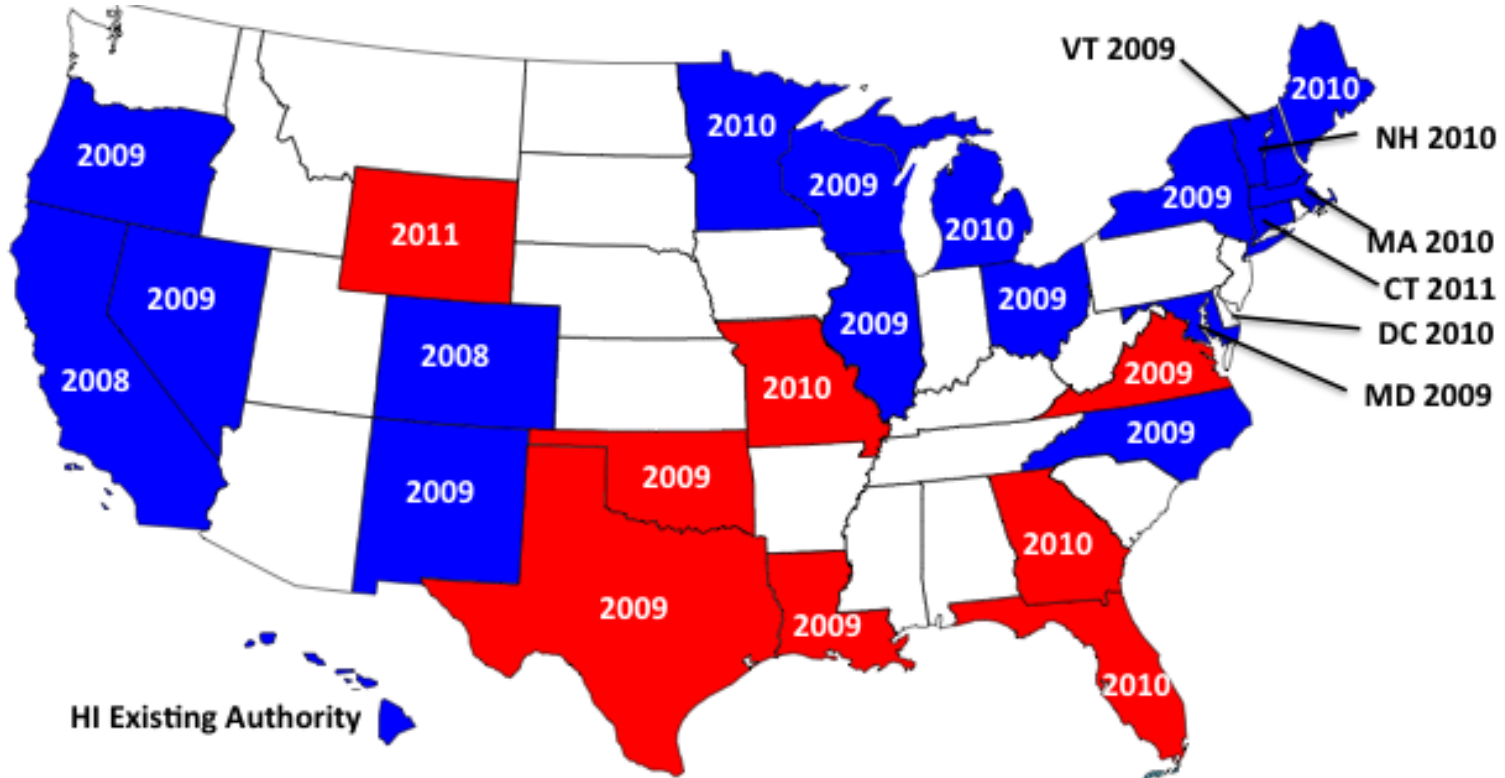
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2008 TO 2011: PACE GAINS RAPID BIPARTISAN ACCEPTANCE

27 States Pass Valid PACE Enabling Laws



State Majority (REP / DEM) when PACE Legislation was Passed

Regulatory Overreach – Programs Blocked in 27 States

FHFA, OCC, Fannie Mae and Freddie Mac block PACE, claiming:

- ✓ **PACE is Risky:** Senior lien status creates “safety and soundness” concerns for the mortgage industry
- ✓ **Assessments Ruled Invalid:** PACE is “different” from other public assessments

Regulators ignored:

- ✓ **PACE Reduces Risk to Fannie/Freddie:** Actual PACE Program data show dramatically reduced risk to GSE's and lenders
- ✓ **States' Rights:** 27 States cite public purpose in passing valid enabling laws
- ✓ **Centuries of Precedent:** 37,000+ assessment districts now operate efficiently nationwide

PACE COMMUNITY RESPONDS

2010 Legislation

Legislation introduced in the House and Senate by Democratic sponsors

Outcome: ✓ Flurry of activity
✓ No meaningful bipartisan support
✓ Fall elections / politics kill hope of passage

Litigation is Ongoing

Federal District Courts in NY, CA, and FL hear suits filed by State of California, local governments, and NGO's charging unwarranted and illegal regulatory over-reach

- Suit in 9th Circuit – Northern California – April 2012

PACE IN 2011: NEW BIPARTISAN MESSAGE WITH BROAD APPEAL

Local Programs for Jobs, Economic Growth, Energy Security w/ No Federal Spending

Permanent Jobs	Nationwide, permanent, and across a range of skills
Economic Growth	No Federal spending - \$10 million in <u>private capital market spending</u> creates: <ul style="list-style-type: none">✓ 150 jobs✓ \$25 million economic output✓ \$2.5 million federal, state & local taxes
Deficit Reducing	PACE generates federal, state, and local tax revenue with no impact on credit
No Taxes/Federal Subsidies	PACE programs stand on their own
Private Market Capital	Funding from the broad capital markets, not taxpayers
Voluntary	Not another government mandate
Reduced GSE Footprint/Losses	Reduces losses - promotes market driven solutions for our nation's mortgage industry
Lower Default Rates	PACE programs <u>reduce</u> mortgage default rates
Lender Protection	PACE protects mortgage lenders <ul style="list-style-type: none">✓ Immediate cash savings help owners pay mortgages✓ Cutting energy use is a permanent hedge against rising fuel costs and price shocks✓ Non-acceleration limits lender exposure just to payments in arrears✓ More efficient buildings are worth more, so lender collateral is enhanced
Cut Foreign Oil	More energy independence without taxes or regulation
Cost Avoidance	Reduced need for power plants and transmission systems
Local Focus	Community programs are much more effective than federal or state

PACE PROGRAM DATA SHOWS PACE REDUCES LENDER RISK

Mortgage Default Rate with PACE is 1/30 That of Non-PACE Homes

- Only 2 Defaults in 2,565 PACE homes vs 82 on same number of non-PACE homes ⁽¹⁾
- GSE savings/loss reduction - Every ¼ % that PACE lowers home default rates = \$300 per home in reduced losses to GSE's. Note: a full 1% reduction = \$1,200 savings ⁽⁴⁾

PACE Program Data			Defaults			
Program ⁽²⁾	Homes	\$ Mil	Homes	Program ⁽²⁾ %	County ⁽³⁾ %	
Babylon	403	3.6	0	0.0	vs	5.4
Boulder	632	10.1	1	0.2	vs	1.3
Palm Desert	240	5.5	0	0.0	vs	3.8
Sonoma	1,290	34.5	1	0.1	vs	3.3
Total	2,565	\$53.8	2	0.1%	vs	3.2%

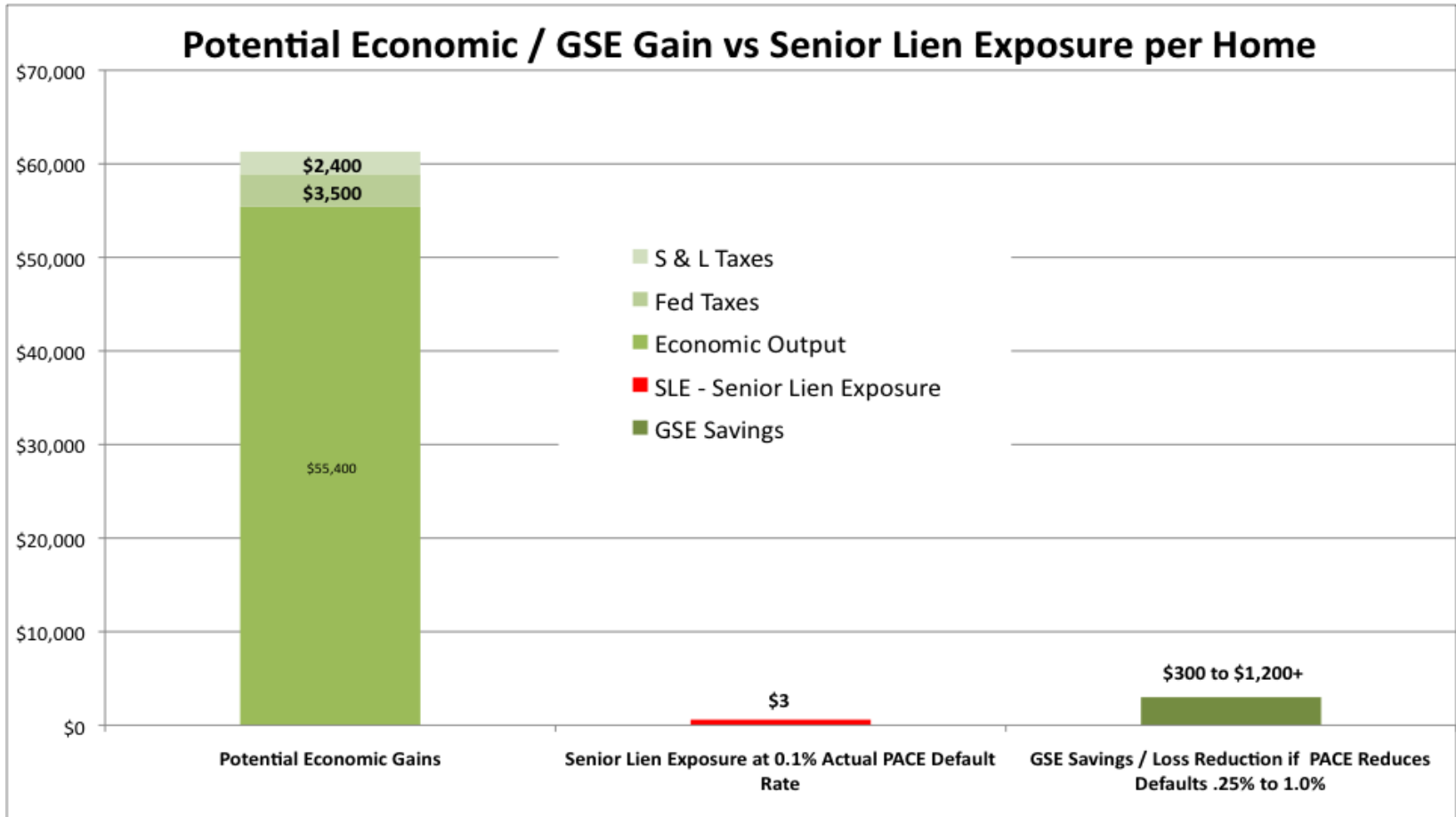
Footnote: ⁽¹⁾ Countywide Default Rate (3.2% x 2,565 PACE Program Homes = 82 Expected Defaults)

Source: ⁽²⁾ Program Administrators

⁽³⁾ McDash Analytics, LLC

⁽⁴⁾ Assumes prime agency loans, average mortgage size \$240,000, average severity in default 50%
Core Logic, Amherst Securities

STUDY SHOWS POTENTIAL TO CREATE JOBS, GENERATE REVENUE



Source: **ECONorthwest** study for PACENow of economic impact on PACE spending in Columbus OH, Long Island NY, San Antonio TX, and Santa Barbara CA

BI-PARTISAN LEGISLATION TO RESTORE PACE

PACE Assessment Protection Act of 2011

Primary Sponsors:

Hayworth (NY-19), Thompson (D-CA1), Lungren (R-CA3)

- 1) Undo the damage:** Rescinds 2010 guidance from FHFA, OCC, Fannie, Freddie and affirms validity of assessments. Prohibits discrimination against homeowners and communities with PACE.
- 2) Resolve the legal question:** Defines a PACE assessment as an “assessment,” not a “loan.”
- 3) Limit (eliminate) risk to Fannie/Freddie:** Establishes national program standards: underwriting criteria, consumer protections, qualifying improvements, qualifying contractors

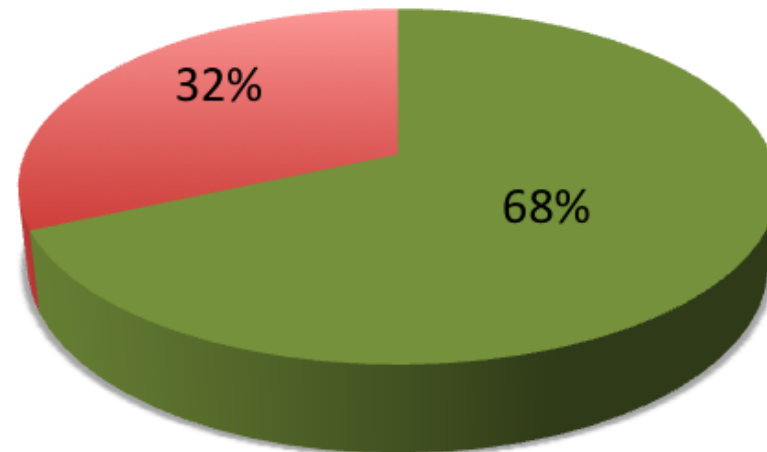
UNDERWRITING CRITERIA LIMIT (ELIMINATE) RISK TO F/F

PACE Legislation Requirements

- Homeowner must have at least 15% positive equity.
- Projects capped at 10% of home value.
- Homeowner must have solid property tax payment history.
- PACE lien does not accelerate in event of default.
- Energy assessment must demonstrate projects pay for themselves.

68% of US Homes have > 15% Positive Equity

Source: McDash Analytics LLC



■ More than 15% - YES PACE ■ Less than 15% - NO PACE

TIMELINE

Now until Tues July 19: Recruit “original” co-sponsors prior to the bill’s introduction.

Wed July 20: Lungren-Thompson-Hayworth press conference to announce the introduction of the bill.

Thursday July 21: House assigns a bill number.

Wed July 20 on: Recruit co-sponsors to generate momentum and support.

Fri Aug 6 – Wed Sept 7: Congress adjourns for August recess.

FOCUS ON KEY HOUSE REPUBLICANS

Financial Services Committee - Subcommittee on Capital Markets and GSE's

Spencer Bachus, AL – Committee Chair

Jeb Hensarling, TX

Peter King, NY

Ed Royce, CA

Frank Lucas, OK

Ron Paul, TX

Donald Manzullo, IL

Walter Jones, NC

Judy Biggert, IL

Gary Miller, CA

Shelley Capito, WV

Scott Garrett, NJ – Subcommittee Chair

Randy Neugebauer, TX

Patrick McHenry, NC

John Campbell, CA

Michele Bachmann, MN

Thaddeus McCotter, MI

Kevin McCarthy, CA (House Majority Whip)

Steve Pearce, NM

Bill Posey,

Mike Fitzpatrick, PA

Lynn Westmoreland, GA

Blaine Luetkemeyer, MO

Bill Huizenga, MI

Sean Duffy, WI

Nan Hayworth, NY

Jim Renacci, OH

Robert Hurt, VA

Bob Dold, IL

David Schweikert, AZ

Michael Grimm, NY

Francisco Canseco, TX

Steve Stivers, OH

Stephen Fincher, TN

Members from PACE enabled states are **BOLD**

CALL TO ACTION

- Focusing our advocacy on the House at this stage
- Visit, call, email or mail your Representative
 - Visit <http://pacenow.org/blog/take-action-to-save-pace/> for information and resources you can use to ACT Today. Draft letters are available here.
 - You can reach your Member of the House by calling the US Capitol Switchboard – [202-224-3121](tel:202-224-3121)
 - Move your organization, company, City Council to move PACE to the top of their legislative priorities, and have your lobbyist advocate for you as well
- Have begun Senate meetings. Will be back in touch on Senate strategy after we develop momentum in House.

APPENDIX – LINK TO DOCUMENTS

1. [Proposed PACE Legislation \(draft HR Bill\)](#)
 - ✓ <http://pacenow.org/blog/wp-content/uploads/PACE-HR-Bill-Final-Language-7-12-111.pdf>
2. [Making the Case for PACE Legislation](#)
 - ✓ <http://pacenow.org/blog/wp-content/uploads/Making-the-Case-for-PACE-Legislation.pdf>
3. [PACE One Page Summary](#)
 - ✓ <http://pacenow.org/blog/pace-one-page-primer/>
4. [PACENow Website](#)
 - ✓ <http://www.pacenow.org>
5. [Legal Analysis on PACE Constitutionality](#)
 - ✓ [http://pacenow.org/documents/PHJW%20PACE%20White%20Paper%205.28.10%20\(final\).pdf](http://pacenow.org/documents/PHJW%20PACE%20White%20Paper%205.28.10%20(final).pdf)
6. [ECONorthwest Study on PACE Economic Gains](#)
 - ✓ <http://pacenow.org/blog/wp-content/uploads/PACE-Econometric-Study-by-ECONorthwest-for-PACENow-5-4-11.pdf>
7. [FHFA July 6th Statement](#)
 - ✓ <http://pacenow.org/blog/wp-content/uploads/2010-07-06-FHAF-Statement.pdf>
8. [Specific Consumer Protections](#)
 - ✓ <http://pacenow.org/blog/wp-content/uploads/PACE-Consumer-Lender-Protections.pdf>
9. [FHFA Claims and Factual Responses](#)
 - ✓ <http://pacenow.org/blog/wp-content/uploads/PACE-FHFA-Concerns-Responses.pdf>
10. [PACE Frequently Asked Questions](#)
 - ✓ <http://pacenow.org/blog/pace-frequently-asked-questions/>