

United States Senate

WASHINGTON, DC 20510

June 30, 2010

Honorable Edward DeMarco
Acting Director, Federal Housing Finance Agency
1700 G Street, NW
Washington, DC 20552

Dear Acting Director DeMarco,

I write to you out of concern for Lender Letters issued on May 5, 2010 by Fannie Mae and Freddie Mac under the Federal Housing Finance Agency's guidance to address Property Assessed Clean Energy (PACE) loans. The letters indicate that because PACE loans generally have first lien priority over previously recorded mortgages, Fannie Mae and Freddie Mac are unable to consider them a conforming loan. As a result, I fear that mortgage providers across the country will eliminate PACE and endanger thousands of homeowners from being able to take advantage of this critical program. Moreover, it appears that Fannie Mae and Freddie Mac are in direct opposition of the Administration and Congressional leadership as we work towards meeting green housing goals for the 21st century.

PACE programs exist in approximately twenty three states including New York and over 200 cities and counties. Moreover, the Administration and Congress dedicated \$100 million in stimulus funding to the Department of Energy to administer PACE. As you may know, PACE is a municipal bond program pursuant to which bonds can be issued by municipal financing districts or finance companies. The proceeds from these bonds are used to retrofit both commercial and residential properties. This program provides an immense benefit to homeowners and communities by eliminating the upfront costs of energy improvements and allowing homeowners and commercial building owners to pay for these improvements over a 20 year span through an increase in their annual property taxes.

I strongly urge Fannie Mae and Freddie Mac to clarify the intent of these Lender Letters and issue additional guidance that states that Phase 1 PACE programs are not in violation of the terms of Fannie Mae and Freddie Mac mortgages. I also encourage Fannie Mae and Freddie Mac to work with the Department of Energy to make any clarifications necessary to DOE's May 7, 2010 Guidelines for PACE programs and ensure that PACE Loans are in conformity with those guidelines and are not otherwise subject to adverse action. I would like to work with Fannie Mae and Freddie Mac to develop a path forward that will allow other municipalities to launch PACE programs in the future.

I continue to believe that programs like PACE are a step in the right direction towards investing in a more energy-efficient economy. Thank you for consideration of my request. Feel free to contact Jonah Crane or Megan Richardson of my staff if you have any further questions.

Sincerely,



Charles E. Schumer
United States Senator