



Federal Housing Finance Agency

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May 18, 2010

Honorable Edmund G. Brown, Jr.
Attorney General
State of California
1515 Clay Street
20th Floor
Oakland, California 94612-0550

Dear Attorney General Brown:

On behalf of the Federal Housing Finance Agency (FHFA), I am responding to your letter regarding energy loan tax assessment programs in the State of California and lender letters from Fannie Mae and Freddie Mac issued on May 5, 2010.

As indicated in your letter, your Office has been in contact with FHFA and I appreciate their communications and support for contacts between us and individual California counties involved in these energy retrofit lending programs. In particular, we have benefitted from discussions with officials in Sonoma County and with those developing a program for the City of San Diego.

FHFA has expressed concerns, as have Fannie Mae, Freddie Mac and banking regulators, in three key areas

- the absence of consistent and complete underwriting guidelines that protect homeowners, lenders and potential investors;
- the need for national energy retrofit standards and metrics for energy loan programs; and,
- risks posed by the first lien status permitted in several state programs.

The Council on Environmental Quality issued a paper in October 2009 supporting PACE programs, but indicating that pilot programs should be used, that standards should be set forth and that no harm should occur to homeowners or lenders. FHFA has worked diligently with the Department of Energy, the Department of Housing and Urban Development, other federal agencies and with various state officials to address these matters. To date, these efforts have not produced a comprehensive set of guidances to protect homeowners and lenders. We continue to work with all interested parties.

To your immediate inquiry, FHFA is working with Fannie Mae and Freddie Mac on replying to concerns expressed in your letter and communicated directly to us as well by Sonoma County. I expect the Enterprises will provide a further statement in the near term.

I will keep your Office informed on this matter. My direct number is (202) 414 3788.

With all best wishes, I am

Sincerely,

A handwritten signature in black ink, appearing to read "Alfred M. Pollard". The signature is fluid and cursive, with a long, sweeping tail.

Alfred M. Pollard

cc: Clifford Rechtschaffen
Janill L. Richards