



GOVERNOR ARNOLD SCHWARZENEGGER

May 13, 2010

Mr. Edward DeMarco
Acting Director
Federal Housing Finance Agency
1700 G Street, NW
Washington, DC 20552-0003

Dear Mr. DeMarco,

I am writing to seek clarification of the Lender Letters published May 5, 2010, by Fannie Mae and Freddie Mac regarding Property Assessed Clean Energy (PACE) programs.

As you may be aware, a number of jurisdictions in California have established pilot PACE programs. Working closely with the California Energy Commission and the federal Department of Energy under the Retrofit Ramp-Up program, these local governments are successfully working with property owners and major mortgage lenders to facilitate prudent investment that improves homeowner financial positions and reduces mortgage-holder risk. These PACE programs hold great promise for creating economic opportunity, energy savings and environmental benefits through the retrofit of residential and commercial building stock.

However, the May 5 Lender Letters have created substantial uncertainty regarding Fannie Mae's and Freddie Mac's recommendations regarding these PACE programs. This uncertainty threatens to suspend existing and imminent PACE programs, strand millions of dollars of pilot program investments and cause unnecessary angst for existing PACE participants. To remedy this situation as soon as possible, I respectfully request that the FHFA direct Fannie Mae and Freddie Mac to issue immediate clarification within the next 24-48 hours to clearly provide that:

- **Past and current recipients of PACE financing in California are not in violation of the terms of their Fannie Mae/Freddie Mac Uniform Security Instruments; and**
- **Active and planned PACE programs adhering to federal PACE guidelines will not be subject to adverse action by the government-sponsored enterprises.**

Once these clarifications have been provided, the necessary next step is for the FHFA to engage directly with state and local jurisdictions and mortgage lenders to discuss the design and lender treatment of PACE property tax assessments.

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I appreciate your attention to this matter and look forward to working with the FHFA, Fannie Mae and Freddie Mac to safeguard the people of California and other PACE stakeholders, while also enabling the promise of PACE financing.

Sincerely,

A handwritten signature in black ink, appearing to read "Arnold Schwarzenegger". The signature is fluid and cursive, with a large, stylized initial "A".

Arnold Schwarzenegger

/la

cc: The Vice President
The Honorable Shaun Donovan, Secretary of Housing and Urban Development
Mr. Alfred Pollard, Federal Housing Finance Agency General Counsel