

United States Senate

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July 8, 2010

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

Dear Acting Director DeMarco:

I am writing to request your immediate action to address a policy conflict between the Federal Housing Finance Agency (FHFA), California state law, and an initiative funded by Congress in the American Recovery and Reinvestment Act (ARRA). I am very concerned that the failure to act expeditiously to address this conflict already has placed \$110 million in ARRA grants to California communities at risk unnecessarily. Equally important, FHFA's stance is undermining efforts in California to advance clean energy projects and reduce greenhouse gas emissions.

In 2008, the State of California passed legislation to give localities the authority to create Property Assessed Clean Energy (PACE) programs, providing businesses and homeowners the ability to finance energy-efficiency and clean-energy upgrades to their property. These upgrades provide consumers the opportunity to obtain lower energy costs while reducing dangerous greenhouse gas emissions that impact the health and quality of life in our communities. Since that time, several California communities have undertaken initiatives to implement these programs.

In May, Fannie Mae and Freddie Mac issued letters to lenders expressing concern with the implementation of PACE programs, and on July 6, FHFA issued a statement placing additional restrictions on the treatment of PACE assessments by Fannie and Freddie. As a result of these actions, the future of California's PACE programs and \$110 million in Recovery Act funding committed to these programs have been put in jeopardy.

I appreciate FHFA's commitment to protecting homeowners and taxpayers, which is why it is essential that you take immediate action to resolve any differences with the state that are preventing PACE programs from moving forward. California's right to place assessments in a senior position is well established and guidelines are in place to ensure that the programs are implemented and managed responsibly, and will leave homeowners in a more financially secure position.

I ask that you personally respond to California's request for clarification, and that you work with the state on this matter to identify any additional requirements necessary for the successful and quick implementation of PACE programs. I hope you are willing to give this matter appropriate attention, in order to address any concerns you may have before ARRA grants expire on September 30, 2010.

Thank you for your timely attention to this matter.

Sincerely,

A handwritten signature in blue ink that reads "Barbara Boxer". The signature is written in a cursive, flowing style.

Barbara Boxer
United States Senator