



Department of Energy

Washington, DC 20585

May 24, 2010

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

Dear Mr. DeMarco:

As the Administration's implementing agency of pilot Property Assessed Clean Energy (PACE) financing programs being funded through the American Reinvestment and Recovery Act (ARRA), the Department of Energy (DOE) is writing to seek clarification on recent letters from Fannie Mae and Freddie Mac that have caused significant confusion in the marketplace. In particular, it would be helpful if you would articulate as soon as practicable guidelines and parameters that experimental pilot PACE financing programs should follow so that their operations can proceed without encountering adverse action by the Government Sponsored Entities (GSEs) under your conservatorship.

As you know, the Administration is committed to supporting the development of energy efficiency and renewable energy finance programs that protect homeowners and lenders while reducing energy consumption and increasing our economic competitiveness. PACE financing is one such financing mechanism among many promising options currently being piloted at the State and local level with the support of the Administration. Last fall the Administration developed a Policy Framework for PACE Financing Programs. Subsequently, we issued detailed Guidelines for Pilot PACE Financing Programs earlier this May. In connection with these efforts, we have met with you, bank regulators, and other stakeholders in order to understand and incorporate lender and other perspectives on PACE programs.

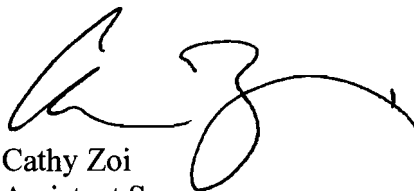
ARRA provides States and local governments with the opportunity to access grant funding to pilot PACE financing programs, provided these efforts conform to guidance from the Federal Government, along with applicable State law. The goal of these DOE-overseen pilot PACE programs is to facilitate the collection of a significant dataset to help inform future policy.

As you are aware, the May 5, 2010, lender letters from Fannie Mae and Freddie Mac have created confusion for DOE's grantees and stakeholders. This confusion is encumbering efficient execution of critical-path ARRA programs. To address these concerns expeditiously, we are seeking clarity on the specific criteria the financial regulatory community believes is necessary to enable these experimental pilot PACE financing programs to proceed. Additionally, we ask for written confirmation that property owners with existing PACE assessments will not be considered in violation of Fannie Mae and Freddie Mac Uniform Securities Instrument prohibitions against loans taking a senior position to the mortgage.



We appreciate the efforts that FHFA and the GSEs have put forth in working with the Administration and PACE stakeholders on these issues. We look forward to receiving clarity as soon as practicable on the conditions you believe are needed to assure that our grantees and stakeholders can proceed with piloting PACE financing programs.

Sincerely,

A handwritten signature in black ink, appearing to read 'Cathy Zoi', with a long horizontal flourish extending to the right.

Cathy Zoi
Assistant Secretary
Energy Efficiency and Renewable Energy

cc: Alfred Pollard, General Counsel, Federal Housing Finance Agency
Susan Eckert, Director, Retail Credit Policy, Office of the Comptroller of the Currency
Suzy Gardner, Senior Examination Specialist, Federal Deposit Insurance Corporation
Virginia Gibbs, Senior Supervisory Financial Analyst, Federal Reserve Board
Marvin Shaw, Senior Attorney, Office of Thrift Supervision