



July 8, 2010

Dear Sonoma County Energy Independence Program Participants:

Thank you for your participation in the Sonoma County Energy Independence program (SCEIP). You are receiving this letter in order to have the most recent pertinent information regarding recent federal actions that have impacted the SCEIP.

In May 2010, Fannie Mae and Freddie Mac directed banks and credit unions on how to treat assessments under programs such as the SCEIP. These directives stated that energy improvement assessments should be classified as "loans" instead of "assessments," implying that agreeing to the assessment could be considered a violation of most mortgage documents. Sonoma County vigorously disagrees with this interpretation and is working diligently to reverse their opinion through legislative action and education efforts with the federal regulators. In the meantime, it is important for you to understand what these directives mean to your situation.

On July 6, 2010, FHFA issued a guidance statement to lenders regarding SCEIP type programs and the assessments being applied. **That statement provides for the protection of SCEIP participants with assessments established before July 6, 2010.** However, the letter outlines potential restrictions and impacts on any future participants. Although we appreciate the grandfathering of existing SCEIP participants, we were dismayed to see that the new directive includes new restrictions that could affect lending standards applied after July 6, to all residents of Sonoma County if the County's SCEIP program continues.

In an effort to protect potential new program participants and existing applicants, the Sonoma County Energy Independence Program is temporarily suspending the processing of all pending applications and will not be accepting new applications or signing new contracts pending direction from the Board of Supervisors on July 13, 2010.

If you have already executed a contract and HAVE received your funds:

According to the FHFA letter, **you are protected from adverse action by your lender.**

If you executed an assessment contract prior to July 6, 2010 and have NOT yet applied for disbursement:

According to the FHFA letter, **all SCEIP participants with contracts signed as of July 6, 2010, are protected from adverse action by their lender.** However, if you do not wish to proceed with your improvements for any reason, you may either cancel your agreement with SCEIP with no penalty **OR**, you may complete your project and request your funds from SCEIP.

Residential property owners with pending applications:

You may either withdraw your application or have your application placed on hold until the current situation is resolved. **Please notify our office of your decision no later than 5:00 p.m. on Friday, July 30, 2010.** If we have not heard from you by then, we will consider your application withdrawn and we will shred your application materials for your protection. This will not impact your future ability to re-apply for SCEIP participation.

Commercial property owners with pending applications:

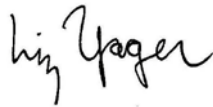
We are temporarily holding these applications as well. Due to other guidance from the Office of the Comptroller of the Currency it is unclear whether a commercial PACE program may also be subject to similar regulatory guidelines. We are working to clarify this concern, and will hold all commercial application until we have more information. We will provide updated information as it becomes available.

We have attached the Federal Housing Finance Agency Statement from July 6, 2010 for your own review. We have included contact information for several key federal decision makers. We strongly encourage you to contact them and share your support of SCEIP and Property Assessed Clean Energy ("PACE") programs generally. Educating key decision-makers to understand the benefits of our program, and the loss to our community from an economic and environmental perspective, is critically important to our effort to preserve SCEIP.

We are confident that our endeavors will yield a positive resolution and keep our innovative SCEIP moving forward. We appreciate your support and participation in SCEIP, and have seen the positive impact it has had on our community.

Please feel free to contact our office at (707) 521-6200 should you have any questions. Visit our website at www.sonomacountyenergy.org for up-to-date information.

Regards,

A handwritten signature in black ink, appearing to read "Liz Yager".

Liz Yager
Program Manager

Enclosures