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March 3rd, 2020

Federal Housing Finance Agency
400 Seventh Street SW, Eighth Floor
Washington, DC 20219

Re: PACE Request for Input
Notice No. 2020-N-1

Dear Sir or Madam,

Eastman Credit Union (ECU) is a federally-insured, state-chartered credit union headquartered in Tennessee. ECU is the largest credit union in the state and serves over 240,000 members with branch locations in Tennessee, Texas, and Virginia. We appreciate the opportunity to comment on the Agency's request for input regarding the Property Assessed Clean Energy (PACE) program.

PACE loans are an alternative to traditional credit for homeowners who desire to make energy efficient improvements to their property. The program authorizes state and local municipalities to partner with private capital providers to offer upfront financing, with repayment occurring by a voluntary tax assessment through the existing property tax bill. In many cases, PACE liens are given super priority status above the home's existing first mortgage lien. While ECU appreciates the ability for consumers to obtain this type of financing, we believe the overall structure of the PACE program lacks important consumer protections and presents a lien priority risk to lenders.

As required by the Economic Growth Regulatory Relief and Consumer Protection Act, the CFPB published an Advanced Notice of Proposed Rulemaking regarding PACE financing in March 2019. This proposal addressed prescribing certain regulations to govern PACE financing; however, a final regulation has yet to be issued on this topic. ECU feels strongly that PACE financing, which is a form of consumer credit, should be held to the same regulatory standards that traditional mortgage lenders must adhere to. These standards are designed to safeguard residential mortgage borrowers and include, but are not limited to, the following:

- Ability-to-repay requirements and right to cancel provisions under Truth in Lending
- Consumer friendly integrated disclosure requirements under Regulations X and Z
- Civil liability provisions for violations of Truth in Lending
- RESPA's ban on kickbacks

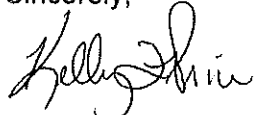
It is concerning that the existence of a PACE lien is not easily identifiable to mortgage lenders. PACE loans are not recorded in land records, but rather in tax rolls, which enables them to go unnoticed during a title search. Additionally, there is little uniformity between each state in how the lien is titled for identification purposes. ECU believes the structure of the PACE program should be improved to allow lenders the ability to easily identify the existence of a PACE lien. States that authorize PACE programs should be required to participate in a uniform registry to

track PACE lending, which would allow credit reporting agencies to include PACE obligations on credit reports that lenders obtain during mortgage origination. In addition, existing lienholders should be notified before a PACE lien is placed on the property to afford the lender the ability to consent to the transaction.

As the program currently stands, there is little burden placed on the PACE provider to determine if the homeowner has the capacity to repay the debt. There is no obligation to provide federal mortgage disclosures or to clearly disclose lien status. In addition, many homeowners have faced aggressive marketing tactics and misleading product information without recourse. Federal regulation is needed to oversee this program, the burden of which should fall on the shoulders of PACE providers instead of the Federal Housing Finance Authority.

ECU appreciates the opportunity to comment on this issue. To ensure consumer protection, changes to the PACE program are needed; however, the core principles of secured mortgage lending should not be undermined in order to achieve such goals.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kelly F. Price".

Kelly F. Price
CEO/President
Eastman Credit Union