



FIONA MA, CPA  
CALIFORNIA STATE TREASURER

March 3, 2020

Federal Housing Finance Agency  
400 Seventh Street SW, Eighth Floor  
Washington, DC 20219  
ATTENTION: PACE Request for Input, Notice No. 2020-N-1

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

Sent via email: [RegComments@fhfa.gov](mailto:RegComments@fhfa.gov)

To Whom It May Concern:

I am writing on behalf of the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) with regards to the Property Assessed Clean Energy (PACE) request for information (RFI).

For some background, CAEATFA operates the California PACE Loan Loss Reserve Fund, which was created in 2014 in response to concerns raised by FHFA about the potential risks PACE may pose to first mortgage holders. Specifically, the PACE Loss Reserve Program seeks to mitigate potential risk to first mortgage lenders by making them whole for losses incurred due to the existence of a first-priority PACE lien on a property during a foreclosure or forced sale.

FHFA has voiced its concern on several occasions that PACE may materially increase financial risks to first mortgage holders and, by extension, the Enterprises. As the California state entity charged with managing the PACE Loan Loss Reserve Fund, my office has a unique perspective to share on this issue. Over the last six years, the degree of financial risk PACE poses to first mortgage lenders has been rigorously put to the test in California, the nation's largest housing market.

In 2014, the PACE Loss Reserve Program was launched to support residential PACE financing for energy or water efficiency improvements, the installation of distributed generation renewable energy sources, and electric vehicle charging infrastructure. Specifically, the PACE Loss Reserve Program mitigates potential risk to first mortgage lenders by making them whole for losses incurred due to the existence of a first-priority PACE lien on a property during a foreclosure or forced sale.

The results over the last six years speak for themselves: The California PACE Loss Reserve Program has not been used at all. The California Budget Act of 2013 originally funded the Program with \$10 million. According to the public agency managing the Loss Reserve, the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA), there have been no claims against the Loss Reserve and the original \$10M funding is expected to last beyond ten years.

From a risk-mitigation perspective, these empirical results from California collected over the last six years clearly demonstrate that the risk PACE poses to first mortgage lenders and the Enterprises is essentially non-existent. This extremely positive outcome actually exceeds the performance of mortgages more generally, since the first mortgage lender always assumes some risk in lending. What's statistically significant, in this case, is that all evidence to date suggests that there is no new or added financial risk posed by PACE to mortgage lenders or the Enterprises.

Federal regulatory action to potentially limit access to PACE without proper data or cause would infringe on the rights of state and local governments to provide a safe and affordable financing solution to their constituents, and to advance critical sustainability goals through the use of private funds. Should you require further information, feel free to contact my me at [Fiona.Ma@treasurer.ca.gov](mailto:Fiona.Ma@treasurer.ca.gov) or 916-653-2995.

In Peace and Friendship,

A handwritten signature in black ink, appearing to be 'Fiona Ma', with a stylized flourish at the end.

Fiona Ma, CPA  
Treasurer, State of California