

KEN CALVERT  
42ND DISTRICT, CALIFORNIA

WASHINGTON OFFICE:  
2205 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-0542  
(202) 225-1986  
FAX: (202) 225-2004

DISTRICT OFFICE:  
400 SOUTH VICENTIA AVENUE  
SUITE 125  
CORONA, CA 92882  
(951) 277-0042  
FAX: (951) 277-0420



UNITED STATES  
HOUSE OF REPRESENTATIVES

June 29, 2017

COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEES:

CHAIRMAN  
INTERIOR, ENVIRONMENT AND RELATED AGENCIES

VICE CHAIRMAN  
DEFENSE

APPROPRIATIONS LIAISON TO HOUSE INTELLIGENCE  
COMMITTEE

ENERGY AND WATER DEVELOPMENT

WWW.CALVERT.HOUSE.GOV  
FACEBOOK.COM/REPKENCALVERT  
@KENCALVERT

Secretary Ben Carson  
U.S. Department of Housing and Urban Development  
Washington, D.C. 20410

Secretary David Shulkin  
U.S. Department of Veterans Affairs  
Washington, D.C. 20420

Dear Secretaries Carson and Shulkin:

I am writing about concerns I have with the Property-Assessed Clean Energy (PACE) loan program. I am requesting the Department of Housing and Urban Development and the Department of Veterans Affairs, examine two different potential issues with the PACE loan program.

First, I ask your agencies to look into whether this program is being used to mislead and defraud Americans – including veterans and low-income individuals – into accepting risky financial burdens that could cause millions of families across the nation financial distress and may lead to default on their mortgages.

As you may be aware, in my Congressional District located in Riverside County, California the PACE program is growing rapidly. Rooftop solar panel companies and others use the PACE program to encourage consumers to sign up for additional property tax assessments to “green” their home. These are not small investments. It is not uncommon for a homeowner to have to spend \$20,000 to \$40,000 to pay for rooftop solar panels, more efficient windows, or cooling units. The PACE program financing can add hundreds of dollars a month to a homeowner’s property taxes. We have also seen from media coverage that unscrupulous sales agents sometimes tell customers that they have been approved for a government loan program, giving the consumers a false sense of security.

Second, I have concerns about a decision last year that allowed, for the first time, properties with PACE assessments to be purchased or refinanced with Federal Housing Administration (FHA) mortgage insurance and Veterans Affairs (VA)-insured mortgages. The July 19, 2016, White House guidance also established that, in cases of foreclosure, the FHA and VA loans would be subordinate to PACE liens. This is problematic because PACE financing is based on home

values rather than the borrower's ability to repay. PACE loan approvals do not take into account income or other outstanding debts. At a time when mortgage rates remain at historically low levels, PACE financing typically carries much higher interest rates. Without basic suitability examinations that are standard on other types of home finance, PACE may be increasing the likelihood that low-income and veteran homeowners will increase their financial obligations beyond their ability to pay and ultimately default on their mortgages.

I urge your agencies to investigate the impact of the policy to make PACE financing eligible for FHA and VA loans and consider protecting consumers by reversing this decision.

Earlier this year, The Wall Street Journal examined the rapid growth of the PACE program in a article titled, "America's Fastest-Growing Loan Category Has Eerie Echoes of Subprime Crisis." According to the article: "About \$3.4 billion has been lent so far for residential projects, and industry executives predict the total will double within the next year. That would likely rank PACE loans as the fastest-growing type of financing in the U.S."

The federal government has a responsibility to ensure that if it is supporting a home financing program, and that backing is being used by private sector businesses to engender trust from consumers, that the program has consumers' best interests in mind. This is especially true if the financing is being targeted at veterans and working families. I look forward to hearing back from each of your agencies regarding my concerns with the PACE program.

Sincerely,



KEN CALVERT  
Member of Congress