BCC 8-15-17 #57

From: Walsh, J Doyle
Sent: Tuesday, August 15, 2017 8:23 AM
To: BoardRecords,
Subject: FW: Property Assessed Clean Energy (PACE)
Attachments: 2017 PACE White Paper.pdf; NationalMortgageNews 7-18-17.docx; TheBusinessJournal 7-10-17.docx

Jordan Doyle Walsh
Office of Commissioner Janet C. Long
Chair, Pinellas Board of County Commissioners
Phone: 727-464-3365

From: Joe Farrell [mailto:jfarrell@tampabayrealtor.com]
Sent: Monday, August 14, 2017 5:23 PM
To: Long, Janet C <JanetCLong@co.pinellas.fl.us>; Gerard, Pat <pgerard@co.pinellas.fl.us>; Justice, Charlie <cjustice@co.pinellas.fl.us>; Eggers, Dave <deggers@co.pinellas.fl.us>; Seel, Karen <kseel@co.pinellas.fl.us>; Morroni, John <jmorroni@co.pinellas.fl.us>; Welch, Kenneth <kwelch@co.pinellas.fl.us>
Subject: Property Assessed Clean Energy (PACE)

Commissioner,

This email is to notify you of our continued opposition to the county implementing PACE. Providers of PACE continue to paint a rosy picture of the program, but we see things differently. While some consumer protection issues have finally been addressed by many of the companies, the potential underlying problem caused by Fannie Mae, Freddie Mac, etc. creates a stress on our tight affordable housing market. We know this to be more than a remote possibility as California, where PACE has been active for over five years, is now seeing these problems come to light. In fact, one city (Bakersfield) and one county (Kern County) have repealed PACE in their jurisdictions. Another county (Tulare) is currently considering repeal as well. We expect this trend to continue.

PRO contends that homeowners will be saddled with loans that will make their homes unsellable to the buyers who utilize financing. Please keep in mind, over 75% of homes priced $150,000 to $250,000 sold in the in the last three years had buyers utilizing financing. That means hardworking families looking to attain the American Dream will have many homes that they can't buy because their mortgage lender won't approve the loan on an assessed property. Conversely, homeowners who want to sell prior to paying off the assessment will struggle to find qualified buyers who aren't paying in cash.

Due to the timing of tomorrow's commission meeting I will be unable to attend. If you have any questions please feel free to call or email me at any time. I have attached our official position statement and two recent news articles referencing PACE concerns.

Sincerely,

Joe Farrell
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Property Assessed Clean Energy Programs

PRO is supportive of incentive-based financing programs that enable homeowners to improve the energy efficiency of homes, take advantage of reduced energy costs, and hurricane harden their home. Unfortunately, PACE loans, while created with the best of intentions, have had strong unintended consequences. Therefore, we continue our opposition to the creation of a residential PACE programs. Here are the reasons why:

Credit and Mortgage Availability

The overwhelming majority of lending institutions still will not authorize a mortgage on a property encumbered by a PACE Loan. This locks out more than half of buyers, the majority of who are middle to low income families that are already navigating a tight housing market.

Lack of Consumer Protection

Underwriting for PACE programs results in collateral-based lending rather than lending based on ability-to-pay. The absence of the Truth-in-Lending Act and other consumer protections, and uncertainty as to whether the home improvements actually produce meaningful reductions in energy consumption, can lead to homeowners losing money in the end. Due to a lack of consumer protections and an increase in predatory lending many homeowners are at high-risk of default. To date, there has not been high number of defaults, but that is due to the relative youth of the PACE loan industry. A higher rate of default is expected in the future, especially in a recession.

Conclusion

The restriction of financing to the families that need it most, and the long-term financial danger to homeowners, makes PACE programs a risky proposition for any community. We urge local governments to weigh the risks before engaging in a residential PACE program. If you have further questions or require supporting material please contact our Director of Public Affairs, Joe Farrell, at JFarrell@TampaBayRealtor.com.

https://www.nationalmortgagenews.com/news/house-appropriators-target-pace-loans-in-hud-budget-plan

House appropriators target PACE loans in HUD budget plan

By

- **Brian Collins**

Published

- **July 18 2017, 11:52am EDT**

WASHINGTON — House appropriators are trying to put the brakes on the Property Assessed Clean Energy program, which finances energy upgrades on homes through Federal Housing Administration-backed loans.

The House Budget Committee approved on Monday a 2018 fiscal budget for the Department of Housing and Urban Development that would prohibit the FHA from "purchasing, insuring or guaranteeing a property that has a PACE loan in the first lien position."

"The committee supports energy efficiency improvements, but not at the expense of [FHA] Mutual Mortgage Insurance fund or general taxpayers," according to the House Transportation-HUD appropriations report.

The House appropriations bill would cut HUD's budget by $487 million, a far cry from the $6.2 billion cut sought by the Trump administration and endorsed by HUD Secretary Ben Carson. Bloomberg News

The Mortgage Bankers Association welcomed the move, which it had lobbied for.

"While energy efficient home improvements can be beneficial for some homeowners, these loans pose a grave risk to traditional lien priority and are a serious risk to the FHA program and to consumers," Bill Killmer, the group's senior vice president for legislative and political affairs, wrote in a July 14 letter.

The HUD appropriations bill renews limits on FHA loan guarantees at $400 billion, the same level as last year.

The Trump administration had proposed to cut the FHA's administrative contract expenses by $25 million, but the House bill increased the budget for such expenses, specifically for "system automation, quality control and risk management improvements," according to the budget report.

President Trump has also sought to cut HUD's budget by 13%, or $6.2 billion, but the House Appropriations Committee bill would decrease the department's funding by just $487 million, to $38.3 billion, for fiscal year 2018.

http://www.thebusinessjournal.com/tulare-county-realtors-wary-pace-loan-program/

TULARE COUNTY REALTORS WARY OF PACE LOAN PROGRAM

Published On July 10, 2017 - 10:25 AM
Written By David Castellon

A program intended to help owners of homes and businesses pay for energy upgrades — from solar panel installations to putting in new windows — has been adopted by counties and cities across California over the past couple of years.

But officials with the Tulare County Association of Realtors said they don't want Tulare County to be one of them, and the group plans to speak to the Board of Supervisors on Tuesday to try to convince its members not to vote against authorizing the Property Assessed Clean Energy financing program.

"We're not against any kind of clean energy. We just want to see [PACE] fine-tuned," Ed Morton, a Visalia Realtor and president of the association, said Friday

He said the association is taking action to raise consumer awareness about problems with the program and claims of unethical behavior by some contractors selling and installing equipment for the energy upgrades.

PACE is a national program that started in California as a way for property owners to pay for energy-related improvements without having to shell out high up-front costs, which has deterred many people from going forward with these sorts of improvements.

Under the program, private lenders provide that up-front money, but instead of paying back the loans by standard means, they're rolled into property taxes – in much the same way home insurance payments can be – and collected by county tax collectors.

Before that can happen, a state needs to authorize the program, and then it needs to be authorized by individual city councils, as well as county supervisors for properties in unincorporated areas.

PACE was introduced in 2007. Since that time, the program has become available in most Central Valley communities, Morton said.

In fact, it has been authorized in seven of the incorporated cities in Tulare County, with county supervisors set to consider it Tuesday during their regular weekly meeting.

As for why the Realtors want to stop such an authorization, Morton said that from the start Realtors didn't like the PACE loans being tied to homes and businesses property tax liens, which essentially guarantee the loans would have to be paid off, either as part of sales or — if the properties are seized for failure to pay property taxes — at auction.

The loans also can be transferred to whoever buys the properties, with the new owners continuing to make payments when they pay their property taxes.

Because PACE is such a young program, some of its problems are just beginning to surface, among them — unlike home loans, no review of a property owner's finances is done to ensure the person can afford the energy-improvement loan, some of which can be for tens of thousands of dollars for home energy upgrades.

"The program is essentially very similar to the 2005 real estate debacle, where you were able to qualify for these loans without any income verification, as long as you have equity in your home," said Brett Taylor, CEO of the association.

And while the lenders are guaranteed to get their money back – unlike during the housing crash, when many property owners defaulted on their mortgages, ushering in the recent Great Recession – many people are at risk of defaulting on PACE loans that they can't afford, and they wouldn't have qualified for them if the lenders had to assess every applicant's ability to pay and had mandatory guidelines on when to turn down loans, Taylor noted.

Morton said his organization only is concerned with such loans for homeowners, as business owners are getting leans on their businesses and usually are more knowledgeable about financing and what they can afford to pay.

Taylor added that that there is state and federal legislation in the works looking to compel lenders to assess clients' finances before granting PACE loans, but there are other problems.

He and Morton said they have heard stories locally of lenders granting loans to people who didn't have sufficient equity in their homes — as required under the PACE rules — and charging extremely high interest rates on loans, as much as 10 percent.

In comparison Morton said, car loans currently average about 3.99 percent, mortgage loans generally top at 5 percent and home equity lines of credit range at about 5-6 percent.

In addition, Taylor said he has heard of contractors over-charging people, including the case of somebody charged $23,000 for a new home air conditioner and installation, something that normally costs no more than $8,000.

Morton said some property owners are spending more than they need to, as some contractors are taking them in with sales pitches touting that the energy savings will "pay for itself."

And while the Valley's real estate market has been strong enough that few people with PACE loans that they can't afford default, many have lost so much equity that they walk away with little or no money after a sale, he said.

Another twist is coming from mortgage lenders, some of which are refusing to authorize home sales unless the PACE loans are first paid off, Morton said.

"I think it was a well-intentioned program that had the consequence of government involvement, and now that we've been in it a few years, we're seeing the bad actors."