

## **Energy efficiency financing faces hurdles in Vermont**

**by Joel Banner Baird**  
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**July 27, 2010**

The summer scramble for efficiency upgrades to homes and businesses — always lively in Vermont — warms up this week as Congress works to overcome resistance from federal mortgage regulators.

Need an attic-full of fresh insulation? Property-Assessed Clean Energy (PACE) financing was designed to allow building owners to pay for the improvements over time, in the form of an addition to the local property tax bill.

It sounds simple: The new owner takes over the tax assessment when the property changes hands.

But there's a catch: The federal mortgage brokers Fannie Mae and Freddie Mac have raised a red flag.

In May, they warned lenders away from any properties with PACE financing — because of risky lien encumbrances in case the owners foreclose.

A disconnect between the Obama administration's Department of Energy (which supports PACE) and the Federal Housing Finance Agency (which regulates Fannie Mae/Freddie Mac) needs to be mended before any large-scale efficiency measures can take place, said Sen. Bernie Sanders, I-Vt., on Monday.

PACE, he said, is a "very, very sensible approach" to do just that. "It's absurd that, just because someone doesn't have the money for the up-front cost, that they can't pay to do something that will keep them from wasting money every single year," he said.

House and Senate bills to firm up federal support for PACE face an impending August recess, as well as a September sunset provision for about \$150 million in stimulus funding designed to attract investors.

The purpose of the bill is unambiguous, by Capitol Hill standards: "To ensure that the underwriting standards of Fannie Mae and Freddie Mac facilitate the use of property assessed clean energy programs to finance the installation of renewable energy and energy efficiency improvements."

And it spells out limitations of risk in the event of a delinquent tax payment, "only the unpaid delinquent amount along with applicable penalties, interest and costs will be subject to foreclosure and not the entire amount."

Will "The PACE Assessment Protection Act of 2010" find traction? Sanders is taking no chances.

Last month, in addition to legislative efforts, he and 10 colleagues sent a letter to Sen. Chris Dodd, D-Conn., the chairman of the Senate Banking, Housing and Urban Affairs

Committee, urging him to “intervene” with Fannie Mae/Freddie Mac on the behalf of the Department of Energy.

In the House, Rep. Peter Welch, D-Vt., and 49 other members of Congress signed a letter to President Barack Obama on July 19 to remind him of earlier, broad administrative support for PACE — and of lender-protection guidelines already in place in Department of Energy guidelines.

PACE financing was pioneered two years ago in California, and has since found support in 21 other states, including Vermont. Its advocates say it will remove more financial barriers to energy efficiency and provide a boost to contractors and suppliers.

Voters in Burlington, Newport and Putney, among other towns, approved PACE measures in March. More municipalities are poised to sign on next year, said Vermont Natural Resources Council energy specialist Johanna Miller on Monday.

“It’s clearly in the interest of a lot of Vermont communities,” she continued. “They’re still pushing for it.”

Peter Adamczyk, an energy specialist with the Burlington-based nonprofit Vermont [Energy Investment Corporation](#), said the rapid adoption of PACE caught Fannie Mae and Freddie Mac off guard; lending regulators prematurely (and unnecessarily) jumped to their defense.

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