
FEDERAL HOUSING FINANCE AGENCY



NEWS RELEASE

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FHFA Proposes Rule for PACE Programs

Washington, DC –As required by a preliminary injunction issued by the Northern District Court of California, the Federal Housing Finance Agency (FHFA) has sent to the *Federal Register* for publication and public comment a Notice of Proposed Rulemaking (NPR) concerning certain state and local energy retrofit financing arrangements also known as Property Assessed Clean Energy or PACE. The U.S. Court of Appeals for the Ninth Circuit has stayed any obligation required by the preliminary injunction for FHFA to publish a final rule.

FHFA, as conservator, has directed Fannie Mae and Freddie Mac not to purchase any mortgage where PACE financing with a priority lien was placed on the underlying property. Such financing moves ahead of the pre-existing first mortgage in lien priority, and thereby subordinates Fannie Mae and Freddie Mac security interests in the property. FHFA took this action based on its determination that PACE financing arrangements present a safety and soundness concern by transferring financial risks to the regulated entities and lacking in adequate consumer protections and standards for energy retrofitting.

The NPR seeks comments on FHFA's proposed rule as well as on potential alternatives. The comment period is 45 days from the June 15, 2012 date of publication. FHFA welcomes comments on all aspects of the NPR.

[Link to Rule as Proposed in the *Federal Register*](#)

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The Federal Housing Finance Agency regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. These government-sponsored enterprises provide more than \$5.7 trillion in funding for the U.S. mortgage markets and financial institutions.