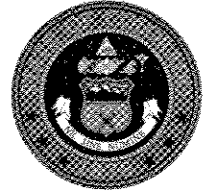


# STATE OF COLORADO

## OFFICE OF THE GOVERNOR

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Bill Ritter, Jr.  
Governor

May 17, 2010

Mr. Edward DeMarco  
Acting Director  
Federal Housing Finance Agency  
1700 G Street, N.W.  
Washington, DC 20552-0003  
FAX: (202) 414-3823

Re: *Fannie Mae and Freddie Mac Lender Letter LL-2010-06 published May 5, 2010*

Dear Director Lockhart,

In Colorado, we have had great success stimulating local economies with a variety of financial incentives for home owners to choose to invest in renewable energy and efficiency measures for their homes. Four large counties in Colorado have initiated Property Assessed Clean Energy bond programs ("PACE") to provide long-term loans for these types of investments. As I am sure you are aware, PACE was enthusiastically endorsed by Vice President Biden's "White House Middle Class Task Force."

The PACE program in Boulder County has been in place the longest and it is already creating economic opportunity, energy savings, and environmental benefits through the retrofit of residential and commercial building stock. Working closely with the state's Energy Office and the U.S. Department of Energy under the Retrofit Ramp-up program, each of these local governments is successfully engaging property owners and major mortgage lenders to facilitate prudent investment that improves home values and reduces mortgage holder risk. Based on these successes, the state of Colorado is about to launch a state-wide PACE program, the first such program in the nation.

On May 5<sup>th</sup> however, Fannie Mae and Freddie Mac issued Lender Letter LL-2010-06 that has put a substantial chill on PACE programs here and across the country. This uncertainty threatens to suspend existing and imminent PACE programs, strand millions of dollars of pilot program investments, and to cause unnecessary angst for participating homeowners.

To remedy this untenable situation as soon as possible, I respectfully request that the FHFA direct Fannie Mae and Freddie Mac to issue immediate clarification of the Lender Letters. Such clarification seems further justified by the publication of the DOE's "Guidelines for Pilot PACE Financing Programs" on May 7. Ideally, the clarifying language would clearly state:

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- Past and current recipients of PACE assessment financing are not in violation of the terms of their Fannie Mae/Freddie Mac Uniform Security Instruments
- Active and planned PACE programs substantially adhering to federal DOE PACE guidelines will not be subject to adverse action by the GSEs

Once these clarifications have been provided, I believe that the necessary next step is for the FHF A to engage directly with state and local jurisdictions to discuss the prudent design and appropriate lender treatment of PACE property tax assessments.

For the longer term, I look forward to the State of Colorado working collaboratively with the FHFA, GSEs and other PACE stakeholders to forge solutions that will include appropriate mechanisms to effectively eliminate any material increased risk to existing lenders.

I appreciate your immediate attention to this important matter and I look forward to proactively addressing these issues with you.

Sincerely,

A handwritten signature in black ink that reads "Bill Ritter, Jr." in a cursive, flowing script.

Bill Ritter, Jr.  
Governor