STATE OF CALIFORNIA
OFFICE OF THE ATTORNEY GENERAL
EDMUND G. BROWN JR.
ATTORNEY GENERAL

July 14, 2010

President Barack Obama
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Via Facsimile (202) 456-1573

Dear Mr. President:

I'm writing to inform you that Fannie Mae, Freddie Mac and the Federal Housing Finance Agency (FHFA) are obstructing an innovative program in California and across the nation that is aimed at encouraging clean energy development and creating tens of thousands of jobs. I urge you to do everything in your power to reverse their illegal and short-sighted actions. Earlier today I reluctantly filed a lawsuit against these federal entities, but it would be much better to solve this problem without litigation.

The Property Assessed Clean Energy (PACE) program stimulates the economy and promotes energy independence by assisting homeowners and small businesses in securing funding to make their properties more energy efficient. Property owners repay the costs of energy improvements through assessments spread out over a decade or more. This bottoms-up program, which California pioneered, has spread rapidly throughout the country over the past two years and now exists in 22 states. Half of all the counties in California have signed up to start PACE programs.

But Fannie, Freddie and the FHFA are choking these programs by improperly declaring that PACE financing is not a property tax assessment entitled to lien priority over a mortgage, even though this is how it is characterized under state law, and that PACE financing is therefore not permissible under these entities' standardized mortgage documents. Without the possibility of repurchase by Fannie and Freddie, PACE programs throughout the country have ground to a complete halt.

The actions of these federal entities are directly undermining our economic recovery and your own strong support and encouragement of PACE. The Vice President last year endorsed providing federal funding for PACE, and the Department of Energy (DOE) has directed

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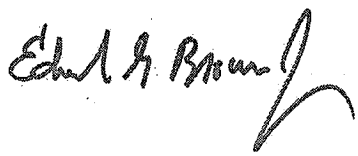
hundreds of millions of dollars in federal stimulus money for PACE programs, over $150 million in California alone. Moreover, in the 2009 White House Report "Recovery Through Retrofit," you instructed federal agencies to "work in partnership" with states and local governments to ensure that PACE programs minimize financial risks to homeowners and mortgage lenders. Unfortunately, Fannie, Freddie and the FHFA have been deaf to the repeated entreaties of dozens of cities and states – as well as your own DOE. Instead, in one fell swoop these entities have issued a death knell to PACE, thrown people out of work, and frozen tens of millions in private capital that can help speed our economic recovery.

The benefits of PACE – energy efficiency, renewable energy, construction jobs, economic stimulus, and steps towards energy independence – are simply too important to lose because of short-sighted and stubborn federal agency actions. We need to solve this problem.

I ask for your leadership on this most important matter.

Sincerely,



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