



U.S. Department of Energy Webinar, Single Family Housing
Federal Housing Administration
Property Assessed Clean Energy (PACE)
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The information in this document is current as of the Last Update date noted above. This document does not establish or modify the policy contained in FHA's Handbooks and Mortgage Letters in any way.





Overview

- Federal Housing Administration (FHA)
- FHA PACE Policy
- Mortgagee Letter 2016-11
 - Eligibility Requirements
 - Appraisal Guidance
- Additional Resources



Federal Housing Administration (FHA)

- Provides mortgage insurance on loans made by FHA-approved lenders throughout the United States and its territories.
- Does not lend directly to borrowers.
- Published PACE policy on July 19, 2016.



FHA PACE Policy

- Makes it easier for future home buyers to purchase or refinance homes using FHA financing when there is an existing PACE obligation, that meets FHA requirements, attached to the property.
- Does not insure PACE obligations.
- Does not affect current FHA-insured mortgages with PACE obligations.



Mortgagee Letter 2016-11: PACE Obligations

- Provides specific eligibility requirements and other policies for FHA insurance on new mortgages for properties with a PACE obligation.
- Holds lenders responsible for determining compliance with the ML 2016-11 requirements.
- Requires PACE obligations to be collected and secured in the same manner as a special assessment against the property.



Mortgagee Letter 2016-11: Enforceable Claim

- Property can only be subject to an enforceable claim or a lien that is superior to the FHA-insured mortgage for *delinquent* regularly scheduled PACE special assessment payments.
- Property cannot be subject to an enforceable claim (i.e., lien) superior to the FHA-insured mortgage for the full outstanding PACE obligation at any time.



Mortgagee Letter 2016-11: Free Assumability

- No terms or conditions that limit the FHA borrower's right to transfer the property to a new homeowner are allowed.
- No legal restrictions on conveyance that could require consent of a third party before the owner can convey the real property.
- Statutory requirement for FHA.



Mortgagee Letter 2016-11: Public Disclosure

- Existence of a PACE obligation on a property must be readily apparent to lenders, appraisers, borrowers, and other parties through the public records.
- Records must show the obligation amount, expiration date and cause of the expiration date.
- Default cannot accelerate the expiration date.



Mortgagee Letter 2016-11: Property Sale

- PACE obligation transfers to the next owner in the event of the sale, including a foreclosure sale, of the property with outstanding PACE financing.
- New homeowner becomes responsible for payments on the outstanding PACE amount.



Mortgagee Letter 2016-11: Disclosure of PACE Obligation

- Property sales contract must indicate whether the obligation will remain with the property or be satisfied by the seller at, or prior to, closing.
- If the PACE obligation will remain, all the terms and conditions of the PACE obligation must be fully disclosed to the borrower and made a part of the sales contract between the seller and the borrower.



Mortgagee Letter 2016-11: Appraisal Requirements

- Appraiser must analyze and report the impact of the PACE-related improvements and the PACE special assessment on the property value.



Mortgagee Letter 2016-11: Other Requirements

- Does not apply to Home Equity Conversion Mortgage (HECM) and Title I Loans.
- Has an effective date of September 19, 2016 but lenders can use now.



Additional Resources

- **Additional Resources**

- Mortgagee Letter 2016-11 at:

- <http://portal.hud.gov/hudportal/documents/huddoc?id=16-11ml.pdf>

- Access new PACE FAQs on the FHA Resource Center's Online Knowledge Base at:

- <http://portal.hud.gov/hudportal/HUD?src=/FHAFAQ>