



NCEL Fact Sheet: Residential PACE Financing (Property Assessed Clean Energy)

Property Assessed Clean Energy (PACE) is a financing tool used to provide property owners affordable, long-term capital to implement clean energy improvements – from energy efficiency upgrades to rooftop solar power systems. Some states also authorize PACE financing for seismic retrofits. Because special assessments are covenants on the land, PACE financing is attached to the property rather than the owner, enabling PACE financing terms to reach as long as 20 years.

Until this past summer, most PACE programs focused solely on commercial properties, excluding residential due to challenges from the Federal Housing Administration (FHA). In August 2015, President Obama [announced](#) that the FHA will effectively allow residential PACE to expand nationwide. The FHA guidance will allow single-family residential properties with PACE loans to be purchased and/or refinanced with an FHA-insured mortgage.

Key Points:

- Currently, 29 state legislatures have enabled PACE and 13 states and D.C. have PACE programs in place: Arkansas, California, Connecticut, D.C., Florida, Georgia, Minnesota, Missouri, Michigan, New York, Ohio, Oregon, Texas, and Wisconsin.
- In 2009, the Federal Housing Administration (FHA) announced a series of objections to PACE financing, including a bar on issuing new mortgages to homes with existing PACE assessments.
- FHA opposition largely halted residential PACE programs. Most new programs were limited to Commercial PACE (C-PACE) for commercial, industrial and nonprofit buildings. Since 2007, \$147 Million of C-PACE projects have been financed to date. ([PACENow](#))
- Since 2007, more than \$1.04 Billion of Residential PACE projects have been financed, despite uncertainty from the FHA. Nearly all of the Residential PACE activity has been in California. ([PACENow](#))
- In 2014, Riverside County, CA pooled more than \$104 Million of Residential PACE projects into the first PACE Bond Securitization, rated AA.

Key Legislation:

- Twenty nine states have enacted PACE legislation, including [California](#) (2007), [Minnesota](#) (2010), [Connecticut](#) (2011), [Utah](#) (2013) and [Kentucky](#) (2015).

Other Resources:

PACENow: <http://www.pacenation.us/>