Lender Support Update
Senior Mortgage Lender Considerations of Commercial PACE Transactions in 2013
March 2014
About PACENow

PACENow is a national, impartial, fact-based, non-profit advocate for Property Assessed Clean Energy (PACE) programs that promote and finance energy efficiency and on-site renewable energy upgrades to buildings. With the generous support of the Energy Foundation, Kresge Foundation, Rockefeller Brothers Fund, Tilia Fund, and others, we provide information, resources, and focus our expertise on solving challenges for a broad universe of PACE stakeholders that include state and local governments, PACE program administrators, government and trade industry organizations, financial firms, and other organizations and individuals concerned about reducing our dependence on fossil fuels.

About the Author

Natalie Trojan is a Senior Director at PACENow. Natalie is the author of the 2012 Lender Support Study and the 2013 Lender Support Handbook. She joined PACENow as a consultant in June 2012 following a career in consulting and finance with firms such as Natixis Real Estate, BNY Capital Funding, and Deloitte & Touche. Natalie has provided strategic and financial advice and has executed billions of dollars in real estate, structured, project, and cross border financings to clients in the real estate, infrastructure, and energy sectors. Natalie is an active member of ULI – the Urban Land Institute and WX – Women Executives in Real Estate. Natalie has an AB in Architecture from Wellesley College, a Master of Regional Planning from UNC Chapel Hill, and an MBA from the Kenan-Flagler School of Business at UNC Chapel Hill.

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Sonoma County Energy Independence Program
Sustainable Real Estate Solutions
Toledo Lucas Port Authority Program
Union Savings Bank (CT)
Urban Atlantic Advisors
Wells Fargo Bank (two regional offices)
Ygrene Energy Fund

Images on the front page (from left to right): PACENow’s image of Simon Property Group mall in Santa Rosa, Green-FinanceSF PACE program’s image of PrologisHQ, Los Angeles County Commercial PACE program’s image of the Hilton Los Angeles/Universal City hotel.

Please share this information widely and invite others to join you in supporting our work.

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1. Consents to PACE assessments are being provided by a broad range of mortgage lenders throughout the U.S., indicating a continued and growing market acceptance of PACE. Consenting institutions include local, regional, national, and foreign banks, as well as credit unions, private capital providers, insurance companies, specialty lenders, and government entities.

2. Approximately 75% of all closed PACE transactions for which we have data include consent from a senior mortgage lender and 80% of 2013 closed transactions included consent. The other closed transactions were for unencumbered properties. From survey results and industry data, it appears that consent approval rates for applications are high (at or above 80% approval rates).**

3. Senior mortgage lenders indicate a strong preference to grant consent for projects when the benefit to the property’s NOI is positive in the immediate or very short term.

4. Senior mortgage lenders indicate a strong preference for third-party review/underwriting of the project to verify cost estimates and savings projections. Projects accompanied by a third party review are more likely to get consent, with less difficulty, and with considerably shorter approval times, in part because energy savings are more likely to be taken into account during the re-underwriting of the project, thus leading to better project economics.

5. When senior mortgage lenders did not consent to a project, it was generally because of issues specific to the property owner or proposed project and not because of the lender’s blanket opposition to PACE. Many of the lenders who withheld consent on a project have provided it on other PACE projects.

6. Lenders not consenting to PACE may run the risk of losing their customers to other financial institutions that are willing to refinance competitor loans and include PACE in the new capital stack.

7. More transaction volume will continue to ease the consent process. Banks respond and allocate internal resources when confronted by real needs from their customers. It is likely that streamlined consent procedures will become commonplace if banks are confronted by the need to design them, but not by requests to do so in anticipation of deal volume.

8. Senior mortgage lenders that are also interested in becoming PACE investors/financing partners have begun to connect the dots between consent, deal volume, and potential revenue. Over time, these senior mortgage lenders may likely be the source of significant volume of deals as they pursue various other business opportunities.

**-Data is likely to be somewhat skewed as some programs require the property owner to obtain consent prior to submitting an application for PACE financing (example: Sonoma County). PACENow seeks data on PACE projects from all PACE program administrators, but we note that not all programs provide us with complete data sets.
“More than 150 lender approvals from 81 financial institutions and 22 institutions provided multiple consents...”

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Introduction

In the 4th quarter of 2013, PACENow surveyed the PACE community to assess the status of senior mortgage lenders’ consents for commercial PACE transactions. This Lender Support Update (herein referred to as the “Update”) summarizes the findings related to commercial PACE consents that have occurred in 2013. These include the number and breadth of senior mortgage lender consents, desirable conditions for consents, and best practices from industry stakeholders. The Update builds upon the findings of PACENow’s Lender Support Study released in December 2012 and the Lender Support Handbook released in 2013.

PACENow’s Lender Support Study of 2012 (herein referred to as the “Study”) summarized senior mortgage lenders’ attitudes on PACE and issues associated with consents. Lender consent, previously considered to be a possible industry stumbling block due to the opposition by the FHFA to residential PACE, has proved otherwise for commercial PACE, as reported in the Study’s findings. Selected key highlights of the 2012 Study are as follows:

- Surveyed senior mortgage lenders generally expressed no blanket opposition to PACE. Their right to consent to projects is of paramount importance to them, but they appear open to approving projects that benefit their customers and improve the value of their collateral. Lender partnership and education from the start is the key in improving the probability of senior mortgage lender consent.

- Senior mortgage lenders support energy efficiency and renewable energy projects in concept, but have little firsthand experience financing them and are wary of underwriting the resulting projected savings and benefits.

- Senior mortgage lenders understand property taxes and assessments and factor them into underwriting decisions. There was broad acceptance of PACE as an assessment, which limits lien exposure only to unpaid assessments, distinguishing it from a loan.

- Consistency of programs nationwide, standardization of data sources, and creation of project related insurance policies would improve the consent process because senior mortgage lenders (and PACE finance providers/investors) could create national approval platforms and review projects with fewer resources.

Goals and Methodology

To understand the current conditions for commercial PACE transaction related lender consent, PACENow sought and obtained input from all PACE programs that had pursued a senior mortgage lender consent in 2013, as well as input from independent consultants to PACE programs, energy service contractors, PACE project investors, and lenders who had granted or denied consent in 2013 (and were open to speaking about it.) Mortgage lenders are typically proprietary about their internal decision making processes.

Summary of Respondents by Type

![Summary of Respondents by Type](image)

And while PACENow sought detailed information from senior mortgage holders who had considered consent
requests, their rationale for granting or denying success was generally not disclosed to us.

In terms of methodology, PACENow obtained market data for this Update with a formal, organized survey of key market participants. We obtained responses to a standard set of questions provided in survey form.** Although a few respondents provided answers in writing, the vast majority of interviews were conducted by an hour-long phone call or in person with a senior staff member from each organization. Except as specifically noted, interviews were deemed confidential, and information provided by those interviewed has not been attributed to specific programs or lenders. Respondents were generally candid about the consent consideration process, but preferred confidentiality regarding transaction specifics and the names of individuals involved in a particular transaction. Furthermore, few programs were willing to share the specific forms or materials that they had provided to senior mortgage lenders as part of an application.

Interview questions were designed to obtain information about the consent process in 2013, data on repeat consents, data on denied consents, and types of institutions that had granted consent. The survey also sought data on standard requirements of senior mortgage lenders with regard to consent, such as whether a lender required fees or insurance. Finally, the survey gathered information on emerging best practices in the market and things the industry could do better.

Summary of Mortgage Lender Consents

In 2013, PACE programs across the United States closed over 50 commercial PACE transactions totaling nearly $33 million, bringing the cumulative total to just over 200 transactions with a dollar value of $63 million at year end. Of the 200 plus closed transactions, the vast majority (approximately three quarters), had third party mortgage debt, the owners of which consented to and recognized the value of the assessment financing.

Data gathered for this Update indicates that altogether over 150 consents have been granted by senior mortgage holders for either completed or potential PACE transactions. These consents were provided by 81 financial institutions, with 22 of them providing multiple PACE consents. The diversity of the list of consenting institutions has grown significantly in 2013 as PACE moved to become a more nationwide financing tool. A full list of consenting institutions is provided in the appendix, sorted alphabetically and by type of institution.

Consents were provided by institutions of all sizes and types from local to international banks, government entities to private investors. A visual summary of all consents to date by consenting institution type is provided in the accompanying chart. As indicated, regional banks provided the greatest number of consents, followed by national and local banks. Despite initial reports of difficulties with the U.S. Small Business Administration (SBA), the SBA provided consents for eight separate property owners who sought PACE financing. These consents were granted through the respective offices and their legal teams for 504c SBA type loans, under the category of “cash out subordination.”

Components of Successful Requests

Common Elements

The most successful PACE consent applications were those where the property owner unequivocally supported the project, citing positive returns (preferably in year one or soon thereafter). Ideally, requests were prepared by a PACE program in conjunction with the property owner’s CFO or accountant and then submit-
ted by the property owner. Successful applications have included some or all of the following:

- Template forms, such as a project summary, project rationale, contemplated improvements, estimated energy savings, and the amount and term of the PACE assessment.
- Financial data, such as cash flows with and without the assessment, ideally through the term of the PACE assessment.
- Statistics, including projected NOI, Loan to Value, Debt Service Coverage, Lien to Value, and/or the payback period, and covenant compliance calculations, if applicable.
- Energy audit and/or 3rd party review indicating kilowatt hour (or other unit) savings translated into dollar terms for each improvement.
- Maximum consent amount requested from the lender (10% is typical).
- Evidence to support claims that energy savings benefits would exceed the cost of improvements over time.
- Program overview, state legislation, restrictions, and compliance.
- Industry information on PACE, such as PACE-Now’s case studies, the Lender Support Study, and List of Consenting Lenders.

Some lenders noted that credit based applications and loans typically require a credit committee to provide formal consent, which could be a lengthy process. So, careful and precise wording of the consent request has proved to be important. Reference to the financing as an “assessment” or “funding” and strict avoidance of the word “loan” may make it easier for lenders to provide consent.

Financial Underwriting of Energy Savings
PACE programs stress the resulting energy savings and financial impact, which are the critical deciding elements for the property owner. Lenders evaluate the project from a similar standpoint as the resulting energy savings and financial impact have implications for the borrower’s ability to repay and for the value of their collateral. Notably, in instances where credit was given to savings measures and their positive impact to NOI and property value, the financial institution provided consent more easily and quickly relative to ones where they could not underwrite the savings.

Programs currently vary widely on the extent of energy and financial savings data provided to lenders. Some include a summary of all project ECMs, including lighting, water, solar, HVAC, etc. in a project application. Some include full engineering reports, while others provide the basic equivalent of a Phase I ASHRAE report, the equivalent of a walk-through evaluation of the property.

All senior mortgage lenders noted that energy savings was a very desirable component of a consent request, but many had trouble evaluating the financial impact of planned projects. Therefore, some lenders continue to evaluate PACE solely as an additional expense that a borrower will have as a result of the assessment and any other costs. One lender commented that he had a hard time granting consent at the levels requested because “they (the lender) don’t deal with hypotheticals” and the energy efficiency industry has yet to aggregate sufficient historic data upon which lenders can rely for projections.

Consent applicants were most successful when their applications were accompanied by independent third party support, either through re-underwriting or by providing industry data on savings and cost estimates. Data from contractors was typically considered unreliable. Furthermore, the most successful requests (i.e. reduced evaluation time and greater likelihood of consent) had the anticipated savings and engineering improvement plan translated into lender friendly language and financial terms. To add support to this observation, respondents noted that consenting institutions generally gave credit to solar energy projections, which is consistent with their preference for lending on historic data (as the solar industry has the greatest amount of quantifiable performance data history amongst energy efficiency measures.)

Timing of the Request Submission
Respondents resoundingly advised submitting a consent request “as early as possible!”, but with significant caveats: 1) industry-wide early lender education is critical, 2) owners should get a “yellow light” before going ahead to avoid “getting killed in the 11th hour!”, and 3) owners should submit only a full package for consideration. The so-called yellow light conversation was recommended to avoid spending time on a project with a lender adamantly opposed to PACE. During this initial step, programs generally encourage property owners to have a preliminary conversation with the decision maker at the lending institution and share preliminary
program information, legislation, and a project overview.

**Evaluation**

A consent request is typically received by a relationship manager or asset/portfolio manager. This individual rarely makes the decision, but has to take it up one level (sometimes two) to obtain a consent. Contrary to information obtained from respondents in 2012 (on a largely theoretical basis), most requests require only management signoff from credit, legal, or portfolio management and do not require the action of a fully constituted credit committee. Differences in evaluating consents can be attributable both to individual internal review procedures as well as the presentation of the request. As previously mentioned, avoiding use of the word “loan” may alleviate the need for a credit based evaluation. Consistently, most institutions involved a legal team in their first PACE consent decision, utilizing either in-house or outside legal counsel.

In a sign of the evolution the PACE industry, respondents noted that organizations that were developing an investment interest in PACE (i.e. funding projects themselves or investing in PACE bonds) were much more informed about PACE and receptive to PACE consent requests, as they were beginning to recognize a range of revenue opportunities associated with PACE and allocating internal resources to do so. Possible revenue opportunities include aggregation for long term holds, securitization, and investment offerings to private clients.

**Discretionary Projects versus Necessary Replacement Projects**

The consent request is viewed differently depending upon the type of improvements needed – discretionary versus necessary. A discretionary PACE project’s primary objective is to reduce carbon emissions, reduce energy or water usage, or use alternative sources of energy. Such projects are subject to higher scrutiny and typically require a higher degree of documentation for the mortgage lender with regard to project savings and financial benefit. In such cases, a third party energy audit and clear data summary prepared for a banker with no engineering expertise is crucial. When possible, replacement projects should be bundled with discretionary projects to achieve overall building efficiency and result in positive cash flows to the property. With positive cash flow, consents become easier.

Necessary replacement projects include deferred maintenance improvements and upgrades mandated to satisfy legislative directives, such as Connecticut’s boiler replacement initiative. Replacement projects are generally evaluated on whether the lender (and secondarily the property owner) is better off funding the project with PACE financing or taking the funds from other sources such as a capital reserve, additional debt, or any potentially available equity. For property owners in distressed areas, local lenders look upon PACE as a good source of additional funding with which the borrower can improve or potentially save the project, even though the replacements may not result in measurable savings. For example, a leaky roof replacement was approved by a long term lender as a way of insuring their asset without adding additional debt. Another senior mortgage lender cited PACE as a useful source of funds in the capital stack because the lender was not able to provide the entire amount needed to refinance a difficult situation, such as a previously bankrupt investment project. As a result, with PACE as part of its toolkit, a senior mortgage lender can make new loans or refinance an otherwise un-bankable project, winning business that was previously untenable.

**Other Requirements for Consent**

PACENow asked respondents about any additional requirements for consent, with a focus on the following issues and found that generally, no additional documentation or dollars are required by lenders to provide consent.

- **Intercreditor Agreements** - The use of intercreditor agreements is extremely rare and have occurred in less than 3% of all consent requests. Respondents note that intercreditor agreements are useful with complex transactions involving multiple mortgage lenders or to comfort insurance mortgagees that need extra reassurance.
- **Fees** – No borrower or program that we interviewed reported paying a fee to obtain consent. Some institutions initially requested a nominal fee to cover legal costs associated with the review of the consent request, but later rescinded the fee requirement.
- **Insurance** - No senior mortgage lender has requested insurance as a requirement for their consent to a PACE assessment. However, some projects automatically benefit from ESCO performance guarantees or from existing program guarantees. This, however, was the exception rather than the rule.
• Additional Collateral – No mortgage lender has requested additional collateral in exchange for their approval; however, one borrower volunteered to provide a guaranty to accelerate approval.

Evaluation Response Time
Lender evaluations ranged widely from a few days to over six months, but most applications were approved by the senior mortgage lender within 30 to 90 days. With lender syndicates, approvals took longer because approval processes were often more complicated and could involve complex lender inter-relationships. Positive and negative factors affecting consent response times are listed below:

Positive Factors
• Complete application package
• Follow up call from the borrower to the mortgage lender
• Good borrower/lender relationship
• Strong borrower financials
• 3rd party engineering/underwriting review (Response time cut to 21 - 42 days, from 30 - 90 days)
• Lender familiar with PACE
• Designated point person in each party to coordinate the details of the request

Negative factors:
• Mortgage holder with no previous exposure to PACE
• Piecemeal or insufficient information about the contemplated project
• Poor borrower payment history
• Borrower had no other relationship with the lender other than the subject loan

Senior Mortgage Lenders’ Biggest Concerns
Not surprisingly, respondents note that lenders’ biggest concerns are with the PACE lien coming before theirs and the resulting implications for their capital preservation and final repayment. These concerns are most important in the event of non-payment or default. Frequently asked questions by senior mortgage lenders which the borrower or PACE program should be able to answer definitively include the following:
• What are the mechanics of the assessment?
• What happens in the event that the borrower does not pay the PACE assessment?
• What happens during any delays in payment and how is the mortgage lender protected?
• What rights does the mortgage lender have, when, and how can they be exercised?
• What happens if there is a default?

Repeat Consent Requests
The data pool on repeat consent requests is small at this time with 22 financial institutions granting more than one. Where repeat consents have occurred, they have been with larger national financial organizations or with smaller banks that have embraced PACE in their local area such as Union Bank in Connecticut, or with specialized lenders such as New Resource Bank in California.

As expected, respondents report that repeat consent evaluations are easier and faster. The key for the applicant program is to connect the dots within the organization so that the process does not start anew when working with a different bank officer within the same organization. This is especially important in organizations with vertical silo banking units that may have no knowledge or each other’s business and thus, have no way of knowing that consent had been provided already by the institution.

Timing for repeat evaluations took as little as one day and ranged up to one month and were significantly shorter than the 30 to 90 days for first time consents. Notably, for programs with 3rd party reviewers, the repeat requests took only a couple of days. According to one respondent, “the banks just sign if the 3rd party reviewer has approved the application and project.”

Denied Consent Requests
Although the majority of consent requests have been approved, senior mortgage lenders do have the option of saying no. While some results have been not been favorable, it is important to underscore that very few lenders have a blanket opposition to PACE. It is the case that lenders do, occasionally, decline to provide consent. Our sense is that these negative decisions are not taken lightly; consent requests frequently reach the highest level decision makers at a financial institution before ending in a no. In some instances, requests were considered by the senior mortgage lender’s chief credit officer, the CEO, or other senior level executives.

Several respondents have noted that lenders which deny a borrower a consent request have lost (or risk losing) the customer to another financial institution.
which is able to work with PACE in the capital stack. Some programs have even contracted with a lender that is willing to take out existing senior mortgage lenders not interested in approving PACE financing. Such data confirms that senior mortgage lenders see the value enhancement proposition in PACE for building both revenue and their client base.

Commonly Cited Reasons for Denial

- Senior mortgage lender didn’t understand the product and how the lien and assessments actually work
- Senior mortgage lenders couldn’t accept the PACE lien being senior to theirs
- Foreclosure risk
- No one wanted to sign
- Couldn’t get the right people’s attention
- Relative weakness of borrower
- Weak or insufficient net cashflow
- Couldn’t underwrite the savings due to the lender’s lack of internal expertise or data
- Senior mortgage lender concerned about high interest rate charged on delinquent liens and didn’t want to pay delinquent rates on behalf of the customer in case of borrower non-payment.
- Portfolio was under the scrutiny of banking regulators and did not allow modifications.
- CMBS servicer couldn’t handle the request as it was beyond their jurisdiction.
- HUD – Projects that receive direct HUD funding or benefit from Federal Housing Administration (FHA) mortgage insurance have not been approved for PACE financing.

Examples of Denials

- A national bank denied consent from a furniture company seeking necessary improvements to its building. While the building owner cited the necessity of the project and a loan to value ratio less than 50% on the basis of a recent appraisal, the lender refused to consent for a number of reasons: the bank felt the furniture industry was weak, the borrower had not been consistent in making timely mortgage payments over the years, the bank had data on the subject property market which indicated that appraised values were overblown, and the bank questioned the borrower’s ability to pay the incremental PACE assessment (since the bank was unable to underwrite the savings). Furthermore, the bank cited the need for a showcase PACE project at the time and felt they could not use this project as a bank wide example.
- A national bank denied consent to a property owner but did not offer a response. From the outside, it appeared that the project lacked an internal champion and so it was difficult for the PACE program manager to continue pushing the PACE consideration forward.
- An insurance company initially denied consent on an attractive new roof project for a performing industrial building with a stable client. Denial appeared to come from a relationship manager unwilling to bring the transaction to higher levels of management that would make the decision. The project was ultimately approved by a senior representative once the borrower stepped into the process, indicating in a personal letter the need for the new roof and likelihood of her taking her business elsewhere if the lender did not provide consent.

Lessons Learned

PACE Consents are being Provided from all Types of Senior Mortgage Lenders
Consents for PACE projects are being granted by senior mortgage lenders of all sizes and types across the country. Many respondents noted that lender consent is “not such a big deal” and in the end, lender consent is typically granted. Many respondents note that the “difficulty of the consent process is overblown”, “very few substantive barriers exist”, and that many other factors inhibit deal closing more than consent. In a very positive sign for the industry, repeat consents were substantially easier, with response time cut to 1 day to 30 days, from 30 to 90 days, on average.

Some consent requests have been denied for good reason, but generally these reasons relate to the specifics of the project rather than a blanket objection to PACE. Furthermore, lenders that have not provided consent have lost customers, while others that create roadblocks and a prolonged approval process risk losing their customers. Within the existing small data sample of completed PACE transactions, several cases of takeouts of non-consenting lenders have occurred. In addition, loan syndicates may use PACE as a tool to force out some lenders out of the pool or to gain a larger, controlling share of the loan.
Successful borrowers have focused their presentation of the consent request on the benefits from a lender’s standpoint. As an example, emphasis on risk mitigating features such as non-acceleration, to show that little PACE principal is ever ahead of the lender’s note. This new PACE principal in front of the lender is shown to be offset by substantial new value added to the asset. Furthermore, borrowers should remind lenders that the projects are in the interest of the public good as they reduce carbon emissions or decrease usage of natural assets and support the lender’s own self-advertised support for the environment.

**Early Education is Key**

Across the board, respondents indicated that repeated messaging and industry education about PACE is critical, stating that a lender has to hear about PACE in advance of a request to get comfortable with the concept. One respondent noted, that for most mortgage lenders, “it takes three to four times for them to hear it and understand it”. Initially, PACE can seem complicated and potentially counter-intuitive so that proper understanding of the mechanics, implications from multiple points of view, and comfort with tax assessments are important. Ultimately, “most lenders get comfortable with PACE”.

Community outreach is an important part of the overall PACE consent process, in whatever form is possible for the size of the community. Educating the lender and/or lending institution can be accomplished in multiple ways: industry conferences, local government meetings, industry news sources, and general program information. Early involvement and cooperative dialogues with local bankers associations also helped ease the way for consent as lenders’ concerns could be incorporated into program requirements and in some cases, the legislation. When the lenders felt part of the effort to make a difference in the environment through PACE, the lenders became invested in its success.

Getting credit for the energy savings in cash flow projections from senior mortgage lender during the consent process can still be a challenge, given the difficulty that banks have in evaluating the appropriateness of costs and projected savings of PACE projects. Some lenders only consider whether or not the contemplated improvements are necessary to operate the business. In general, senior mortgage lenders want to see savings higher than costs, but even when savings calculations are provided, lenders don’t consider them in their approvals unless the calculations for costs and savings are provided by a third party reviewer or underwriter. Furthermore, data must be provided in an easily understandable format for the lender rather than in engineering terms. Respondents noted that data provided directly from contractors is typically not considered reliable for underwriting purposes. In general, respondents note that PACE applications which fund solar are the most likely to receive credit for energy savings as this technology is most easily quantifiable and has a history of savings.

**Government Financing Entities Support Commercial PACE**

Although the FHFA took a harsh stance on residential PACE, and, as noted, HUD/FHA insured multi-family projects have not received consents, not all government entities see PACE in the same way. PACE projects have been consented to by a number of other government entities, including the US Department of Agriculture and holders of Low Income Housing Tax Credits (LIHTC). Furthermore, at least eight projects have received consent from the SBA for 504c loans, with the most success reported when they are submitted as cash out subordination requests and come recommended by the local agency involved with the loan.

**Recommendations**

Based upon data collected and analyzed by PACENow through the survey, the PACE community could improve the ease and speed of the senior mortgage consent process by engaging in the following:

- Adopt standard protocols for evaluating buildings and prospective measures as well as standards for measuring and verifying outcomes, such as those being developed by the Investor Confidence Project (to which PACENow is allied).
- Adopt a third party review of proposed projects and support the establishment of industry acceptable third party independent review firms that can verify savings and cost projections and ultimately build the industry databases for clean energy performance.
- Continue to educate lenders about PACE, making them more aware of the product and its benefits. Respondents recommend educational forums at
local and state mortgage bankers associations, investor conferences for ULI, BOMA, NAIOP, ICSC, MBA, ULI, CREFC, and industry publications such as Asset Based Alert, Real Estate Alert.

- Support efforts for creating a PACE product/point person at all lending organizations, particularly national banks so that they can mobilize the branch network to deal with PACE requests.

- Seek blanket lender consents from senior lending institutions (such as an insurance company or large bank) for PACE transaction if they fit certain pre-determined criteria. This blanket approach, vs. the current deal by deal approach would create immediate benefit in easing transaction costs, reducing consent time from start to finish, enhancing loan values, and potentially creating investment opportunities interested investing in PACE. Blanket consents would also help increase project flow as some property owners are reluctant to approach their lenders for consent for fear of negative consequences. PACENow has found that this reluctance exists across the board and is not limited to small or distressed borrowers. In fact, the owner of one of the largest New York family owned real estate firms recently commented that “his lender wouldn't like PACE” when in fact, his lender was publicly supportive of PACE.

- Create an industry standard of national PACE program best practices, such as structuring legislation to retain control of any defaulted tax certificates within a PACE program to avoid public auctions and improve servicing. Establish underwriting standards for lien to value or maximum annual tax amounts to help facilitate a national PACE financing market.

- Find a way to obtain consent from the top five to ten CMBS servicers by grouping several consent requests from multiple PACE programs. When provided multiple requests, servicers could allocate time and money towards a solution, particularly if the requests clearly show that the PACE projects create value for the holders up through the riskier CMBS tranches.

- Create case studies focusing on how senior mortgage lenders benefit from PACE assessments and how PACE can be used by a lender as a marketing tool to retain or win new business where existing products do not meet customer needs. Highlight how a PACE project has created opportunity and value for a lending institution that otherwise would not exist.
List of Consenting Financial Institutions, March 2014

*Indicates multiple consents

**National Banks:**
- Bank of America*
- Bank of New York Mellon (as Trustee)
- Citibank
- JP Morgan Chase*
- US Bank*
- Wells Fargo*

**Regional Banks:**
- Bank of the West*
- BMO Harris Bank
- Bremer Bank
- California Bank and Trust*
- Citizens Bank
- Fifth Third Bank*
- First Bank of Boulder*
- First Community Bank
- FirstMerit Bank
- First Republic Bank*
- Five Star Bank
- Great Western Bank
- Guaranty Bank and Trust
- Mechanics Bank
- M&T Bank
- Preferred Bank
- Sterling Savings Bank*
- Umpqua Bank*
- Union Bank of California
- WestAmerica Bank*

**International Banks:**
- Deutsche Bank*
- Hanmi Bank
- Helaba Landesbank Hessen-Thüringen
- HSH Nordbank
- Royal Bank of Canada
  (as LIHTC Syndicator)

**Government Entities:**
- District of Columbia Housing Authority
- Greater Sacramento Development Corp.
- US Department of Agriculture
- US Small Business Administration
  (SBA)*
- Washington D.C. Housing Authority

**Insurance Companies:**
- Mutual of Omaha
- Metropolitan Life Insurance
  (and as LIHTC Investor)*
- Northwest Mutual Insurance
- Pacific Life Insurance
- Protective Life Insurance
- Prudential Insurance
- Riversource Life Insurance Company
- Standard Life Insurance
- The Standard – Stancorp Mortgage Investors

**Specialized Lenders:**
- Ally Capital
- American Agricultural Bank
- Ameriprise Financial
- Farm Credit East
- Eagle Bank
- Lehman Brothers
- New Resource Bank*

**Private Lenders:**
- A2B2 LLC
- Michigan Business Connection LLC
- Business Lenders LLC
- Cen-Cal Business Finance Group
- Chestnut
- Marion Haddad

**Credit Unions:**
- Royal Credit Union
- Redwood Credit Union*

Pacific Union 7th Day Adventists
(Parker Mortgage & Investment Co.)
Thrivent Financial
Appendix A

Lender Consent Study Follow-Up Questionnaire

Your Role in the Consent

1. What is your name, title and institutional affiliation?
2. Define your role? PACE program manager/PACE program consultant/Property Owner/Etc.
   a. If you are a program administrator, did you assist in the consent process?
   b. If you are a program administrator and did not participate in the consent process, did you offer the property owner any help with the consent process?
   c. If you are a PACE program consultant, what is your role and affiliation?
   d. If you are a property owner, did you receive any support from the local PACE program in getting consent?

Summary of Successful Lender Consents

1. Number of Consents Attempted
2. Number Received
3. List names of all Financial Institutions from which your program received consent.
4. What types of firms have you received consent from?

Consent Process Summary

1. What information did you provide with the application?
2. What additional information did the financial institution require to review the application?
3. At what point in the PACE process did you begin to seek consent?
4. Where did the consent request and approval fit into the overall project implementation timeline?
5. What was the time from initial financial institution contact to consent approval?
6. What staff people were involved in the consent decision at the financial institution? Did it go through a credit committee?
7. Did the consent rely upon underwriting of savings measures?
   a. If so, which ones were included?
   b. How were they evaluated?
   c. If not, why not?
   d. If not, did you encourage the institution to include the savings value of measures?
8. What financial metrics were used to evaluate the consent, if any?
9. What forms were used in the consent(s) process?
10. Did the financial institution require an Intercreditor agreement?
11. Did the consents require additional collateral of any kind?
12. Did the consents require any insurance coverage from you or the contractor?
13. Were any fees charged for consents?
14. Was any outside legal counsel involved in the consent requests?

Repeat Consent from a Financial Institution

1. Do you have any repeat consenting institutions?
   a. If so, which ones?
   b. If so, how many?
2. Describe repeat consent process.
3. What was the time from initial contact to consent?
4. Who were the repeat consent decision makers? Relationship Manager, Credit, Legal, Executive Management?
Appendix A, Continued.

Consent Denials

1. How many of your consent requests were denied?
2. Describe the process before getting a “no”.
3. What level of management at the institution did you reach before giving up?
4. What was the reason for denial?
5. Were any types of Institutions harder to get consents from? Why?

Overall Consent Experience

1. What were the financial institution’s biggest concerns before granting consents?
2. How were they resolved?
3. What would you do differently, if you could have?
4. What are lessons learned from the consent request process?
5. What advice would you give someone getting a PACE consent for the first time?
6. What advice would you give someone setting up a PACE program to make the consent process easier?
7. What would make the consent process easier?

PACENow

1. Did you contact PACENow to get help with your consent request?
2. Did you use PACENow’s Lender Support Study or Guidebook in your consent request?
3. What materials from PACENow did you find most useful for the consent process, if any?
4. What role can PACENow play to help with future consent requests?
5. When did you enter your consented project in the PACENow database?
Appendix B

Appendix B contains the most current list of consenting lenders sorted alphabetically and by type of institution.

<table>
<thead>
<tr>
<th>Alphabetical List of Consenting Financial Institution</th>
<th>Multiple Consents (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 A2B2 LLC</td>
<td></td>
</tr>
<tr>
<td>2 Ally Capital</td>
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<tr>
<td>3 American Agricultural Credit</td>
<td></td>
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<tr>
<td>4 American River Bank</td>
<td>M</td>
</tr>
<tr>
<td>5 Amerprise Financial</td>
<td></td>
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<tr>
<td>6 Bank of America</td>
<td>M</td>
</tr>
<tr>
<td>7 Bank of Ann Arbor</td>
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<tr>
<td>8 Bank of New York Mellon (as bond trustee)</td>
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<tr>
<td>9 Bank of the West</td>
<td>M</td>
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<tr>
<td>10 Berkshire Bank (CBT)</td>
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<tr>
<td>11 BMO Harris Bank</td>
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<tr>
<td>12 Bremer Bank</td>
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<tr>
<td>13 Business Lenders LLC</td>
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<tr>
<td>14 California Bank &amp; Trust</td>
<td>M</td>
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<tr>
<td>15 Cen-Cal Bus Finance Group</td>
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<tr>
<td>16 Chelsea State Bank</td>
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<tr>
<td>17 Chestnut (Private Lender)</td>
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<tr>
<td>18 Circle Bank</td>
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<tr>
<td>19 Citibank</td>
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<tr>
<td>20 Citizens Bank</td>
<td></td>
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<tr>
<td>21 Deutsche Bank</td>
<td>M</td>
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<tr>
<td>22 District of Columbia Housing Authority</td>
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<tr>
<td>23 Eagle Bank</td>
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<tr>
<td>24 Exchange Bank</td>
<td>M</td>
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<tr>
<td>25 Farm Credit East</td>
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<tr>
<td>26 Fifth Third Bank</td>
<td>M</td>
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<tr>
<td>28 First Bank of Boulder</td>
<td>M</td>
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<tr>
<td>27 First Community Bank and SBA</td>
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<tr>
<td>29 First Republic Bank</td>
<td>M</td>
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<tr>
<td>30 FirstMerit Bank</td>
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<tr>
<td>31 Five Star Bank</td>
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<tr>
<td>32 Flatirons Bank of Boulder</td>
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<tr>
<td>33 Great Western Bank</td>
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<tr>
<td>34 Greater Sacramento Cert. Develop. Corp</td>
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<tr>
<td>35 Guranty Bank and Trust</td>
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<tr>
<td>36 Hanni Bank</td>
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<tr>
<td>37 Helaba (Hessische Landesbank Hessen-Thüringen)</td>
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<tr>
<td>38 HSH Nordbank</td>
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<tr>
<td>39 JP Morgan Chase</td>
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<tr>
<td>40 Lehman Brothers</td>
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<tr>
<td>41 M&amp;T Bank</td>
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<tr>
<td>42 Marion Haddad (Private Lender)</td>
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<tr>
<td>43 Mechanics Bank</td>
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<tr>
<td>44 Metropolitan Life Insurance</td>
<td>M</td>
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<tr>
<td>45 Metropolitan Life Insurance (as LIHTC Investor)</td>
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<tr>
<td>46 Michigan Business Connection LLC</td>
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<tr>
<td>47 Mutual of Omaha</td>
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<td>48 New Resource Bank</td>
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<tr>
<td>49 Northwestern Mutual</td>
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<tr>
<td>50 Pacific Life Insurance Company</td>
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<tr>
<td>51 Pacific Union 7th Day Adventists (Parker Mortgage)</td>
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<tr>
<td>52 Preferred Bank</td>
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<tr>
<td>53 Premier Valley Bank</td>
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<tr>
<td>54 Protective Life Insurance Company</td>
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<tr>
<td>55 Prudential Insurance</td>
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<tr>
<td>56 Redwood Credit Union</td>
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<tr>
<td>57 Riversource Life Insurance (Ameriprise Financial)</td>
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<tr>
<td>58 Rockville Bank</td>
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<tr>
<td>59 Royal Bank of Canada (LIHTC Syndicator)</td>
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<tr>
<td>60 Royal Credit Union, Eau Claire, MN</td>
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<tr>
<td>61 Santa Cruz County Bank</td>
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<tr>
<td>62 Standard Life Insurance Company</td>
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<tr>
<td>63 State Bank of Delano</td>
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<tr>
<td>64 Sterling Savings Bank</td>
<td>M</td>
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<tr>
<td>65 Sterling Savings dba Sonoma Bank</td>
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<tr>
<td>66 Summit State Bank</td>
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<tr>
<td>67 TD Bank</td>
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<tr>
<td>68 The Standard - Stancorp Mortgage Investors</td>
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<tr>
<td>69 Thrivent Financial</td>
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<tr>
<td>70 Umpqua Bank</td>
<td>M</td>
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<tr>
<td>71 Union Bank of California</td>
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<tr>
<td>72 United Savings Bank</td>
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<tr>
<td>73 US Bank</td>
<td>M</td>
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<tr>
<td>74 US Small Business Administration (SBA)</td>
<td>M</td>
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<tr>
<td>75 US Department of Agriculture</td>
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<tr>
<td>76 Vectra Bank</td>
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<tr>
<td>77 Wells Fargo Bank</td>
<td>M</td>
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<tr>
<td>78 Whittier Trust Company of Nevada</td>
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</tbody>
</table>