

Julie Enea

From: Proser, Noah <Noah.Proser@treasurer.ca.gov>
Sent: Thursday, January 22, 2015 12:35 PM
To: Bob Campbell
Cc: Bonnett, Ashley
Subject: RE: PACE Loan Loss Reserve

Hi Bob,

I have cc'd my colleague, Ashley Bonnett, who is taking over as lead analyst for the PACE Loss Reserve program. Please include her on any follow-up questions you might have.

Regarding your question, the PACE Loss Reserve is only intended to cover losses to the first mortgage lender of a property with a PACE lien. The scenario you describe would most likely not be eligible for reimbursement, but I think we would need a little more information. Here's the relevant section from the Program [regulations](#):

§10083. Claims Against the Loss Reserve Pool.

Any PACE Program may make claim for payment from the loss reserve pool for the following losses incurred by first mortgage lenders and limited to losses on the Financings described in Section 10082 directly attributable to the existence of a PACE Program lien on a specified property. Losses include:

(a) Losses resulting from the first mortgage lender's payment of any PACE assessment paid while in possession of the property subject to the PACE assessment. Losses may also include penalties and interest where they have accrued through no fault of the first mortgage lender.

(b) In any forced sale for unpaid taxes or special assessments, losses incurred by the first mortgage lender resulting from PACE assessments being paid before the outstanding balance.

If your intent with the scenario you described was that the sale of the property didn't cover the outstanding property taxes, penalties, etc. before even considering the mortgage debt then the county's losses would not be eligible for reimbursement from the reserve, but the mortgage lender's losses would be eligible for reimbursement (up to the amount of outstanding PACE assessments and the related proportion of penalties, etc.). On the other hand, if the county had allowed proceeds from the sale to go to the mortgage lender before covering the PACE-related amount of taxes, then the county could claim those costs from the reserve.

I know there's a lot to unpack there, so if it's helpful we could set up a time to talk on the phone. Let me know.

Best,

Noah

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From: Bob Campbell [<mailto:Bob.Campbell@ac.cccounty.us>]
Sent: Thursday, January 22, 2015 10:36 AM
To: Proser, Noah
Subject: PACE Loan Loss Reserve

I think we talked last month regarding the PACE Loan Loss Reserve and if a county would be eligible if they incurred a loss through a tax auction.

Below is the general scenario that may occur.

A PACE assessment is put on the tax bill for collection under the alternate method of tax apportionment (Teeter Plan). The parcel goes delinquent for 5 + years and is sold at auction for a net loss.

Can the county claim that portion of loss associated from the PACE assessment, (assessment, penalty, interest, and fees), from the state loan loss reserve?

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