WASHINGTON, D.C. (December 17, 2024) — The Housing Policy Council, along with the Mortgage Bankers Association (MBA), the National Consumer Law Center (NCLC), the California Mortgage Bankers Association, Jacksonville Area Legal Aid, Mortgage Bankers Association of Missouri, Mortgage Bankers Association of Florida, and Public Counsel of California issued the following joint statement in response to the Consumer Financial Protection Bureau's (CFPB) final rule on consumer protections for residential Property Assessed Clean Energy (PACE) loans[1]. PACE programs offer financing to cover the costs of home improvements, most often energy efficiency improvements or solar installation, with the cost added to the homeowner's tax bill.

"The CFPB's final rule is a significant step to protect consumers and reduce mortgage delinquencies by ensuring that consumers are both informed of the obligations they are signing up for when they take out a PACE loan and that they have the ability to repay the loan.

"This is a welcome culmination of a process that started in 2018 when President Trump signed bipartisan legislation to regulate PACE loans, which are secured by the homeowner's property, in a similar fashion to other mortgages. A 2023 CFPB report found that PACE loans cause an increase in negative credit outcomes, particularly mortgage delinquencies when PACE loans are paid through borrower escrow accounts.

"We note, however, that the rule does not change the fact that PACE loans are provided as a 'super lien priority' through the tax assessment process, which is damaging to the housing market and to borrowers who may not be able to refinance or recoup their investment at the time of a sale due to the PACE obligation's priority status. We will continue to work together to address such challenges as well as any that might arise during the implementation of the rule in states with PACE programs."

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About HPC

The Housing Policy Council is a trade association comprised of the leading national mortgage lenders and servicers; mortgage, hazard, and title insurers; and technology and data companies. Our interest is in the safety and soundness of the housing finance system, the equitable and consistent regulatory treatment of all market participants, and the promotion of lending practices that create sustainable homeownership opportunities in support of vibrant communities and long-term wealth-building for families. For more information, visit www.housingpolicycouncil.org

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[1] PACE loans are repaid via a property tax assessment on the family home that has priority over the borrower's first lien mortgage, putting both the borrower and the mortgage holder at greater risk. As a result, homeowners who take out these loans are at risk of tax and mortgage delinquency and foreclosure. These problems have been particularly pronounced in low- and moderate-income neighborhoods and communities of color. The new rule will provide critical consumer protections for homeowners, and will help improve mortgage performance and ensure uniform rules for loans secured by the borrower's home.