

# The Case for Lender Consent: A C-PACE guide for mortgage lenders & property owners

Commercial Property Assessed Clean Energy, or C-PACE, is accelerating across the nation. As of March 2020, 36 states and the District of Columbia have passed C-PACE legislation, and programs are active in 20 states and D.C. More than 2,000 C-PACE projects have been funded, with over \$1.1 billion invested. The economic impact for local communities from C-PACE investments is estimated to be as much as \$1.4 billion<sup>1</sup>.

Unlike traditional financing, C-PACE is secured by a voluntary special assessment lien placed on the property. Tax assessments are not a new concept; localities routinely use them to fund public infrastructure projects, such as sewers.

There are several key reasons why over 200 national, regional, and local lenders have consented to C-PACE assessments.

- 1. Increased Collateral Value:** C-PACE projects reduce a building's operating costs because energy-related cost savings are typically greater than the annual amount of the C-PACE assessment. This increases the net operating income and the building's asset value.
- 2. Improved Cash Flow:** C-PACE projects often improve the debt coverage ratio for mortgage lenders. C-PACE financing offers lower interest rates than preferred equity (13-20%) or mezzanine debt (12+%) and offers longer maturities. This ensures lower payments and a higher debt service coverage ratio.
- 3. C-PACE assessments are non-accelerating:** In the event of a payment default or delinquency, only the current and past due portion is senior to the lienholder(s)'s claim. This is usually only 1-3% of the property value, minimizing the risk to the senior lender.
- 4. C-PACE is transferrable:** Remaining C-PACE repayment obligations transfer to the new owner if a building is sold.
- 5. Perceived Risks may be Mitigated:** Assessment repayments can be escrowed at lender discretion, and/or inter-creditor agreements may be used to define contingency scenarios and mitigate default or delinquency risks.
- 6. C-PACE is non-recourse:** The assessment is underwritten to a property's appraised or assessed value, and not to the building owner's credit. No guarantees are required from the property owner.

The C-PACE assessment takes lien priority over all property-secured debt, so long as existing lienholders of a mortgage or deed of trust on the property consent to the placement of the assessment. This makes C-PACE programs "lender friendly" since lenders may evaluate the consent opportunity and refuse if necessary.

Property owners are encouraged to review their primary loan documents and engage senior lenders to assess their openness to C-PACE early on in development of a project. Additional information can be found at [PACENation.org](http://PACENation.org).

<sup>1</sup>For the most updated statistics, please visit [PACENation.org](http://PACENation.org).

*The Mid-Atlantic PACE Alliance is a partnership between stakeholders in Virginia, Maryland, and the District of Columbia to accelerate the implementation of Commercial PACE programs and projects in the region. For more information, visit [PACEalliance.org](http://PACEalliance.org).*



# Directory of Consenting Mortgage Lenders in the Mid-Atlantic Region

The following institutions have consented to C-PACE assessments for projects financed in Maryland, Virginia, and the District of Columbia.

Ally Bank	First National Bank
Amalgamated Bank	Goldman Sachs Bank USA
America's Christian Credit Union	Grandbridge Real Estate Capital
Bank of America	Hanmi Bank
BBCN Bank	JP Morgan Chase
BB&T	M&T Bank
BMO Harris Bank	Mutual of Omaha Bank
Bostonia Partners LLC	Point Breeze Credit Union
Citibank	Presbyterian Church Investment & Loan Program, Inc.
Citizen's Bank	PSG Lending, LLC
City National Bank	Revere Bank
CMBS	Sandy Spring Bank
Columbia Bank/Fulton Bank	Suntrust Bank
CW Capital	TD Bank
DC Dept of Behavioral Health	The People's Bank
DC Dept of Housing and Community Development	United Bank
DC Housing Authority	US Bank
Eagle Bank	US Department of Agriculture
Farm Credit East	US Small Business Admin.
Fifth Third Bank	Wells Fargo
First Citizens Bank & Trust	WesBanco
First Community Bank	<i>*updated on March 31, 2020</i>



*This document was created by the Virginia Energy Efficiency Council in coordination with the Mid-Atlantic PACE Alliance (MAPA). MAPA is a partnership between stakeholders in Virginia, Maryland, and the District of Columbia to accelerate the implementation of C-PACE programs and projects in the region. For more information, visit [pacealliance.org](http://pacealliance.org).*