



Inside Energy

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RE: Beware New Castle County's energy efficiency loan program

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New Castle County Executive, Matt Meyer, introduced a county approved loan program that may leave consumers with unexpected problems. Known as the Property Assessed Clean Energy, or PACE loan, borrowers agree to repay loans for energy efficiency projects with a lien attached to their homes to guarantee repayment. Loan repayments are made on property tax bills, and the loans pass to new owners when a house is sold.

Since the liens must be paid first in the case of default Fannie Mae and Freddie Mac will not make loans, and the Federal Housing Authority will not insure loans for home purchases with PACE loan liens. This may lead to lower selling prices for home sellers with PACE loans, or force early repayment of the loans. The Federal Housing Administration stated the loans lack adequate consumer protections, and put taxpayers at risk. "Assessments such as these are potentially dangerous for our Mutual Mortgage Insurance Fund," according to Housing and Urban Development Secretary, Ben Carson in a December, 2017, statement.

Some consumer groups have complained contractors do not inform consumers of these issues, and may oversell the benefits of energy efficiency, or solar panels. There is also a tendency of contractors to lump projects with quick paybacks with projects that may have lifetimes shorter than the payback time and show only the cumulative payback period. If paybacks times were listed separately, consumers would probably not sign up for items with a net negative payback. The Sustainable Energy Utility will run the program and has a history of overestimating savings from energy efficiency projects. So, now you have a loan to repay, but maybe don't have the cash from the expected savings. No one should participate in this.