

6/1/2010

JUNE 8, 2010 COUNCIL

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TO: TOWN COUNCIL

FROM: TOWN MANAGER 

RE: PLACER COUNTY mPOWER PROGRAM FINANCING PROBLEMS

ISSUE

Mayor Liss asks that Council discuss and give direction on an issue that is affecting the Placer County mPower program concerning where mPower loans stand in the hierarchy of loans that may encumber a property.

RECOMMENDATION

Discuss and give direction.

CEQA

There are no CEQA issues in a purely fiscal matter.

MONEY

Cost to the Town is presently unknown. It depends on what direction Council gives.

DISCUSSION

At the end of May County Treasurer Windeshausen sent around the following email. Council received copies as information.

From: Jenine Windeshausen [mailto:JWindesh@placer.ca.gov]
Sent: Monday, May 24, 2010 4:37 PM
Subject: mPOWER Placer Impacts from Federal Regulators
Importance: High

To: Key Stakeholders mPOWER Placer

You are receiving this email because of your ongoing interest and support of the mPOWER Placer program.

I regret to inform you that recent actions by several federal housing agencies have caused an obstacle in the effective administration of our mPOWER Placer (AB811/PACE) Program.

Lender advisory letters sent out on May 5th by Fannie Mae and Freddie Mac under the jurisdiction of the Federal Housing Finance Authority have created a disruptive and difficult situation. Since that time, we have worked in earnest

with public officials at all levels of the State and federal governments to clarify the intent of these letters, address issues and resolve the situation. In spite of the efforts of the White House, the Governor, the Attorney General and other high level officials, we along with administrators and stakeholders from PACE Programs across the nation have been unable to resolve the situation created by these letters in a timely and effective matter.

Effective immediately mPOWER Placer will suspend processing any application where there is a Fannie Mae or Freddie Mac loan against the property. While we are optimistic that the situation created by the Freddie Mac and Fannie Mae letters will be resolved in a favorable manner for mPOWER Placer and our program participants, it is unclear when that will be and therefore important to inform our program participants, stakeholders and the public of this situation.

The decision to discontinue processing applications with Fannie Mae and Freddie Mac loans is not taken lightly. However, we cannot proceed with processing applications at the risk of jeopardizing the status of a property owner's outstanding loans. We recognize the considerable financial cost and economic detriment to Placer County created by the Fannie Mae and Freddie Mac's letters. The County has made a considerable upfront investment in this program and the ability to recover those costs may be impaired. The financial impact to program vendors, building trade contractors and others providing services as a result of this program is significant. In the past 12 weeks, we have received an overwhelming response to the mPOWER Placer Program with over 120 applications totaling \$4.2 million in financing requests.

We are committed to administering the mPOWER Program responsibly, efficiently and effectively. We have established the mPOWER Placer Program in compliance with the taxing authority of the State, the federal Department of Energy's Program Guidelines and we relied prior communications from Fannie Mae's PACE programs. It is extremely unfortunate that we have been unable to achieve the cooperation of Fannie Mae, Freddie Mac and the Federal Housing Finance Authority that could have avoided this situation.

Commercial and non-conforming residential applications are not affected. We will hold any affected application at its current stage in the approval process. We will work with those property owners who are in the approval process to determine the best way to proceed under the circumstances and resume processing their application at such time that the situation is resolved.

All AB811 and PACE programs across the country are affected by these developments and each program will have to consider how best to proceed given the characteristics of their program.

In short there is a dispute with Federal mortgage entities concerning who stands first in line on liens that may encumber a property. The County Treasurer has taken action to meet with

Federal officials, write letters to various elected and appointed officials, and do the things needed to resolve the matter.

Mayor Liss, in an email to Staff, indicated that he understands that what the County is saying is that a "Tax lien" always goes ahead of mortgages.

It is known what the legal issues are or how the program works with private lenders of mortgages.

At this writing a call to the County found that the County accepts applications, even for those who have mortgages through the Federal entities, and continues to work on the issues.