

## PACE and existing Mortgage Lender Consent

PACE is an effective and proven financing option that provides 100%, long-term funding to commercial property owners for energy efficiency and renewable energy improvements. PACE financing is repaid via a voluntary special assessment added to the property tax bill. Like property taxes and other assessments, current or past due PACE assessments have a senior claim to other property liens, including mortgages.

### ENERGIZE KENTUCKY program requirements

The ENERGIZE KENTUCKY program requires that each lender holding a security interest in the real property of record execute a "Lender Consent to Special Assessment" (aka Lender Consent). ENERGIZE KENTUCKY recommends that property owners advise other lenders of their intention to use PACE financing in order to make certain that the property owner's use of PACE will not violate the terms of any other active loans or credit facilities.

### Why should mortgage lenders allow a PACE assessment?

There are many reasons why over 100 mortgage lenders, according to the non-profit PACE Nation, have provided written approval for PACE-financed projects:

- PACE assessments do NOT accelerate in the event of a loan default or tax foreclosure. ONLY the PACE assessment amount that is in arrears becomes due. The remaining PACE assessment balance continues with the property until the term end date.
- PACE assessments are small in comparison to the property value & mortgaged amount and have a minimal effect on overall economics. PACE assessments generally do not exceed 20% of the total property value, therefore, this means that the PACE exposure in any given year is typically no more than 1% of the property value when PACE financing is extended over a 20-year term.
- PACE requires no funds from the existing mortgage holder(s).
- PACE improvements will reduce energy expenses and increase cash flow of the property owner.
- PACE improvements will increase the value of the property.
- PACE capital comes from private sources. This enables property owners to reserve other lines of credit for working capital or non-energy related improvements.
- PACE capital does not rely on government funds.
- PACE financing repayment process is secure and proven due to using the same special tax assessment structure that has been in place for over 100 years.
- PACE assessment stays with property upon sale or transfer.
- PACE assessment can be prepaid before the term end date (penalties may apply).
- For Commercial Real Estate (CRE) property owners with tenants, PACE improvements usually increase the Net Operating Income (NOI).

### Commercial Mortgage-Backed Securities (CMBS)

Commercial real estate first mortgage debt is generally broken down into two basic categories: (1) portfolio loans and (2) loans to be securitized ("CMBS loans"). Portfolio loans are originated by a lender and held on the lender's balance sheet through maturity. A securitized or CMBS loan occurs when mortgage loans of varying sizes, property types, and locations are pooled together and transferred to a trust. The trust issues a series of bonds that may vary in yield, duration, and payment priority. In many cases, property owners are not aware that their mortgage has been securitized. This can make it difficult to obtain Lender Consent because the name of the trust entity may not be known to the property owner.

### Contact Us

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