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.

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).

---

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

*updated on March 31, 2020

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.