

July 19, 2016



TO: FHA-Approved Mortgagees; FHA Roster Appraisers; All Stakeholders in FHA Transactions

NEWS AND UPDATES

Federal Housing Administration Publishes Property Assessed Clean Energy Policy

The Federal Housing Administration (FHA) published its policy on using FHA insurance on new Title II forward mortgages for single family homes with Property Assessed Clean Energy (PACE) obligations. The policy, published today in Mortgagee Letter 2016-11, [Property Assessed Clean Energy](#), will make it easier for future home buyers to purchase or refinance homes using FHA financing when there is an existing PACE obligation, that meets FHA requirements, attached to the property.

FHA policy in Mortgagee Letter 2016-11 specifies that a PACE obligation must be structured as a special assessment, and that collected as such, in order for the mortgage to be eligible for FHA insurance. A special assessment is generally collected by a government in the same manner as property taxes. Also, the FHA policy establishes that an enforceable lien for the full amount of the PACE obligation cannot be recorded ahead of the FHA mortgage.

With Mortgagee Letter 2016-11, FHA:

- ***Is not*** insuring the PACE obligation, ***but is*** providing specific eligibility and other policies for FHA insurance on **new** mortgages where the property already has an outstanding PACE obligation, structured as a special assessment, attached to it. The policy does not affect current FHA-insured mortgages with PACE obligations; and
- Is providing specific policy updates to incorporate PACE into existing policy contained in FHA's *Single Family Housing Policy Handbook* 4000.1 (SF Handbook) within applicable sections covering Title II forward mortgage origination and processing; appraiser and property requirements; underwriting the borrower; and closing.

Mortgagees ***may*** begin using the PACE policy in Mortgagee Letter 2016-11, and its attached SF Handbook pages, for case numbers assigned on or after July 19, 2016, but ***must*** begin using this policy when applicable for FHA case numbers assigned on or after 60 days from today. The SF Handbook pages attached to today's Mortgagee Letter will be incorporated into the SF Handbook's portable document format and online format at a future date.

Mortgagees, FHA Roster Appraisers, and other stakeholders in FHA transactions are encouraged to attend an **industry briefing conference call on July 28**, which will provide an overview of the PACE policy contained Mortgagee Letter 2016-11. Additional information about this call is included at the end of this *FHA INFO*.

New PACE Frequently Asked Questions Available on the FHA Resource Center Online Knowledge Base

To support mortgagees' and other stakeholders' understanding of the PACE policy contained in Mortgagee Letter 2016-11, today FHA posted PACE-specific Frequently Asked Questions (FAQs) to its FHA Resource Center [Online Knowledge Base](#). Mortgagees and FHA Roster Appraisers specifically are encouraged to thoroughly review these FAQs in conjunction with their review of Mortgagee Letter 2016-11.

Industry Briefing Conference Call on July 28, 2016

Mortgagees, FHA Roster Appraisers, and other stakeholders in FHA transactions are invited to attend an industry briefing conference call on July 28, 2016. During this call, FHA subject matter experts will provide a high-level overview of the information contained in the PACE Mortgagee Letter 2016-11.

- **Title:** Property Assessed Clean Energy Policy
- **Date:** July 28, 2016
- **Time:** 2:00 PM – 3:00 PM (Eastern)
- **Dial-in:** (866) 233-3852
- **Access Code:** 398698

Attendees are encouraged to fully review Mortgagee Letter 2016-11 ahead of the call. While this call is open to all interested participants, this call may be best suited for those with detailed knowledge and understanding of mortgage underwriting, processing, and servicing concepts. Subject matter will be presented using mortgage policy and underwriting terminology.

Quick Links

- Review Mortgagee Letter 2016-11 on HUD's Client Information Policy Systems web page at: <http://portal.hud.gov/hudportal/documents/huddoc?id=16-11ml.pdf>.
- Access new PACE FAQs on the FHA Resource Center's Online Knowledge Base at: <http://portal.hud.gov/hudportal/HUD?src=/FHAFAQ>.

Resources

- Contact the FHA Resource Center:
 - Visit our online knowledge base to obtain answers to frequently asked questions 24/7 at: www.hud.gov/answers.
 - E-mail the FHA Resource Center at answers@hud.gov. Emails and phone messages will be responded to during normal hours of operation, 8:00 AM to 8:00 PM (Eastern), Monday through Friday on all non-Federal holidays.
 - Call 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.

RESOURCE INFORMATION

FHA INFO Archives: Visit the [FHA INFO Archives](#) to access FHA INFO messages issued from 2012 to the present.

Subscribe/Unsubscribe Instructions: To subscribe to the Single Family FHA INFO mailing list you can use this link: [FHA INFO](#) or send a request by email to: answers@hud.gov
Bulk subscriptions: To sign up your entire office or a large group, send the list of email addresses (in the format below) to: answers@hud.gov
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