



LD 340 *An Act To Allow for the Establishment of Commercial Property Assessed Clean Energy Programs*

TESTIMONY IN OPPOSITION

Senator Lawrence, Representative Berry and distinguished members of the Committee on Energy, Utilities and Technology. My name is Kathy Keneborus, and I am a resident of Hollis. I am Vice President of Government Relations at the Maine Bankers Association, a state-wide trade association representing Maine's 29 retail banks and their 9000 employees.

The MBA recognizes the climate change challenges facing our society, and banks will play a key role in financing the creation and deployment of solutions that mitigate greenhouse gas (GHG) emissions, promote green energy generation, and strengthen community resilience. We look forward to continuing to work with policymakers and other interested parties to reach the goals set in Maine's Climate Plan. However, we will need to continue to evaluate all climate financing initiatives through a risk-based lens to inform policymakers of any concerns or cautions we may have regarding each proposal.

We must oppose LD 340 as drafted due to Maine's municipal foreclosure law. Maine's municipal foreclosure law will significantly hinder the rollout of this plan in our state. For example, unlike Connecticut, Maine's municipal foreclosure process will eliminate all junior lienholders (e.g., subordinated mortgage holder) without providing them with any excess funds obtained during the foreclosure sale. This adds an additional risk to Maine commercial mortgage holders that is not seen in Connecticut. The added mortgage risk could increase the future cost of credit for commercial mortgage customers in our state.

A successful rollout of the CPACE in Maine will require commercial mortgage holders to agree to subordinate their debt to the CPACE loan, so we must highlight our members' concerns to the Committee. Most of our members who responded to our Green Lending Survey said they would not subordinate to a CPACE Maine loan due to the added risk. However, they did say they would consider a CPACE transaction if the risks were mitigated. Mitigating the risk of a CPACE loan could be achieved by modifying Maine's current municipal foreclosure law to allow for the disbursement of excess funds obtained during the foreclosure sale when a CPACE loan is involved or establishing a reserve fund like

other jurisdictions. Attached to this testimony is information from the National Conference of State Legislatures (NCSL) regarding CPACE loss reserve funds established in California and Vermont. We respectfully urge the committee to review potential risk mitigation options for CPACE if you decide to move forward with this bill.

Again, a successful rollout of a CPACE Program in Maine is contingent on a customer's mortgage holder being willing to subordinate their mortgage debt. Thank you for allowing me to testify today on this very important issue.

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Attachment to LD 340 Testimony Submitted by the Maine Bankers Association

Information obtained from the National Conference of State Legislatures website:

<https://www.ncsl.org/research/energy/pace-financing.aspx#state>

Examples of PACE Loan Loss Reserve Programs in Other States

California

California has heavily utilized PACE programs to meet aggressive greenhouse gas emission reduction targets. In response to the FHFA's ruling, California authorized the \$10 million [PACE Loss Reserve Program](#) in 2013 to compensate possible losses by first mortgage lenders that are attributable to a PACE loan. At present, California has at least eight PACE programs, two of which are statewide and six of which are municipal.

Vermont

Vermont authorized PACE financing in 2009 with [House Bill 446](#), and made substantial amendments later in response to the FHFA's statement. 2011 legislation ([H.B. 56](#)) downgraded PACE assessments to subordinate liens and created a reserve fund supported by participating property owners. Under the law, [Efficiency Vermont](#) provides financing for both commercial and residential properties. PACE programs are currently available in approximately 30 municipalities.

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