



Federal Housing Finance Agency

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RE: PACE Programs

Mr. Mayopoulos and Mr. Bostrom:

In response to inquiries regarding the status of the Conservator's outstanding directives regarding so-called Property Assessed Clean Energy (PACE) programs, I wanted to provide the following additional guidance.

Subsequent to the Conservator's July 6 statement to the Enterprises, the Enterprises issued on August 31, 2010, additional lender requirements (Lender Letters) to address the risks posed by first-lien PACE programs. The Conservator reaffirms that PACE programs that provide for first-lien priority over mortgage loans present significant risks to certain assets and property of the Enterprises— mortgages and mortgage-related assets— and pose unusual and difficult risk management challenges for the Enterprises.

Accordingly, pursuant to 12 USC 4617 and in furtherance of the Conservator's duty to preserve and conserve assets of the Enterprises, you are directed as follows:

1. The Enterprises shall continue to refrain from purchasing mortgage loans secured by properties with outstanding first-lien PACE obligations and carefully monitor through their seller-servicers any programs that create such first-lien obligations.
2. The Enterprises shall continue to operate in accordance with the Lender Letters and shall undertake other steps as may be necessary to protect their safe and sound operations from these first-lien PACE programs.

If you have any questions, you may contact me at 202 414 3788. With all best wishes, I am

Sincerely,



Alfred M. Pollard