



Mortgage Lender's Guide to C-PACE: Lender Consent

Capital Providers

Bayview PACE
Castle Green Finance
GreenRock Capital
Imperial Ridge Capital
Inland Green Capital
Kitsap Bank
North Bridge
Nuveen Green Capital
PACE Equity
PACE Loan Group
Peachtree Group Credit
Petros PACE Finance
White Oak Global

Law Firms

Bricker Graydon
Chapman and Cutler
Foley Lardner
Hayes Boone
Hirschler
Jones Hall
Kelley Drye
Kramer Levin
Orrick Herrington
Paul Hastings
Polsinelli
Stinson
Winston & Strawn

Service Firms

Asset Environment

What is C-PACE?

C-PACE is an alternative financing mechanism for commercial property improvements that lower energy costs, conserve water, and improve building resiliency against extreme weather events. C-PACE makes it possible for owners of commercial, industrial, retail and multifamily properties with 5+ units to obtain low-cost, long-term, fixed-rate financing funded by private capital providers. Eligible owners include nonprofit or religious organizations. C-PACE financing may be provided for retrofit projects and for new construction. States also allow refinancing of projects completed in the prior 36 months. Over 35 states have enacted C-PACE legislation, enabling more than \$7 billion in private financing of over 2,300 projects nationwide.

What items can be financed by C-PACE?

Eligible upgrades include energy measures such as HVAC systems, heat pumps, LED lighting, high-efficiency windows; water conservation measures; and building resiliency measures.

What is the source of the capital?

Individual projects are financed by private capital providers, including banks. The financing is secured with a lien on the property. The property owner repays the financing in installments as a line item on the property tax bill and collected through the normal tax collection process. The tax authorities forward payments to the capital provider. Alternatively, many states allow the capital provider to directly bill and collect from the property owner. Assessment installment payments are known in advance and recorded on real property records with a payment schedule. The assessment may also be prepaid.

AS A MORTGAGE LENDER...

What does the property owner need from me?

Prior to closing, existing mortgage holders on the property must consent to the C-PACE financing because the claim for delinquent C-PACE payments is on par with property taxes. This consent functions as a double-check on the project viability. Existing mortgage holders may withhold consent for any reason. To date, over 325 national, regional, and local lenders have consented to C-PACE financing. A sample lender consent document by senior lenders is available.

Why do senior lenders consent to C-PACE financing?

1. **C-PACE Financing Does Not Restrict a Senior Lender's Foreclosure Rights.** In the event of a default on the senior lender's debt, the senior lender can foreclose on its mortgage interest in the property in the same manner as if it were the sole financing on the property. C-PACE does not affect any existing remedies under the loan documents. The C-PACE capital provider may not prevent, restrict, or otherwise impact the senior lender's foreclosure.

2. **Senior Lenders May Escrow for the C-PACE Installment Payments.** Senior lenders may require property owners to escrow monthly for the annual or semi-annual C-PACE installment payment. The escrow mitigates the risk of nonpayment of the C-PACE installment when due. In addition, a lender may also request the C-PACE capital provider to capitalize an interest reserve to carry the payments during a construction period.
3. **C-PACE Instalments Cannot be Accelerated.** The full C-PACE assessment amount is recorded on the property records, however, in an enforcement or foreclosure only delinquent payments may be collected. Delinquent C-PACE payments are typically only 1-3 percent of a property's value before enforcement action is taken. A senior lender may also make advances under its existing loan to pay delinquent taxes and C-PACE installments to keep these obligations current and avoid foreclosure. The remaining payments are due according to the original repayment schedule.
4. **C-PACE Funds Are Fully Available as of Date of Closing.** The C-PACE financing typically closes simultaneous with the senior lender, and all the C-PACE funds are deposited into an escrow account. Senior lenders therefore know that all funds are available to be drawn as of the closing date.
5. **C-PACE Financing May Increase the Value of the Senior Lender's Collateral.** By lowering the costs of energy and water, a C-PACE project may generate higher net operating income and valuation.
6. **C-PACE Financing May Improve Debt Service Coverage.** C-PACE interest rates are typically lower than other forms of financing (e.g. mezzanine debt or preferred equity) and offer longer maturities, resulting in lower payments and a higher debt service coverage ratio.
7. **Customer Relationships Matter.** Every C-PACE project involves a customer who wants to complete a project to upgrade their property. C-PACE funded projects make good business sense for the building owner, and therefore the building's mortgage lender, too.

Is this debt or equity?

C-PACE is a type of assessment financing that has historically been used to pay for voter-approved measures, including street upgrades, school bonds, public safety improvements, and other public infrastructure improvements. C-PACE allows individual property owners to use the same mechanism to voluntarily improve their individual property.

How does C-PACE benefit the senior lender?

C-PACE financing improves infrastructure and can increase collateral value. Replacing aged equipment typically reduces a building's operating costs. A [study](#) by the University California at Berkeley and Lawrence Berkeley National Laboratory concludes that there is a connection between energy efficiency for commercial real estate buildings and the likelihood of defaults.

CONSENTING LENDERS

include:

- 1st MidAmerica Credit Union
- 1st Trust Bank
- A2B2 LLC
- A10 Capital LLC
- A&S Capital LLC
- Abby Bank
- Academy Bank
- Access Point Financial
- Ally Bank
- Alpine Bank
- Amalgamated Bank
- American Ag Credit
- American Agricultural Bank
- American River Bank
- American West Bank
- America's Christian Credit Union
- Ameriprise Financial
- Ameritas Investment Partners
- ANB Bank
- Associated Bank
- Bank Hometown
- Bank of America
- Bank of Ann Arbor
- Bank of CO
- Bank of Colorado
- Bank of Hope
- Bank of Kirksville
- Bank of Luxemburg
- Bank of Michigan
- Bank of New York Mellon (as Trustee)
- Bank of Sullivan
- Bank of the Ozarks
- Bank of the West
- Bank Rhode Island
- Bank RI
- Bankwell
- Banner Bank
- Basin Street Capital LLC & NewFirst National Bank
- BB&T
- BBCN Bank
- Bellco Credit Union
- Berkley Bank
- Berkshire Bank
- BMO Harris Bank
- BMW Financial Services
- Boston Private Bank & Trust
- Bremer Bank
- Bridge Bank
- Broadmark Realty Capital
- Brookline Bank
- Business Lenders LLC
- Byzantine Diocese of Stamford
- CAB Associates
- California Bank and Trust
- California Plan of Church Finance, Inc
- Calmwater Capital
- CanAm Texas Regional Center
- Canvas Credit Union
- Capital Communications Federal Credit Union
- Capital Region Development Authority
- Celtic Bank
- Cen-Cal Business Finance Group
- Centennial
- Centennial Bank
- Centennial Lending
- Central Bank and Trust Co.
- Charter Oak Federal Credit Union
- Chelsea Groton Bank
- Chelsea State Bank
- Chemical Bank
- Chestnutz
- Cheviot Savings Bank
- CIBC Bank USA
- Circle Bank
- Citibank
- Citizens Bank
- Citizens Business Bank
- City National Bank
- City of Hartford
- City of Providence Dept of Planning and Development
- Citywide Banks
- CO Business Bank
- CO Structures
- Collins Community CU
- Collins Loan Services CUSO
- Colorado Structures Inc.
- Comerica Bank
- Commerce Bank
- Commerce National Bank
- Community First Credit Union

- Community State Bank
- Connecticut Innovations
- Cost Fund 1
- CT Dept of Economic & Community Development
- CT Dept of Housing
- CTBC Bank Corporation
- Connecticut Green Bank
- Cornerstone Capital, LLC
- Customer's Bank
- CW Capital
- DC Dept of Behavioral Health
- DC Dept of Housing and Community Development
- DC Housing Authority
- DECD
- Department of Economic and Community Development (CT)
- Deutsche Bank
- Dime Bank
- District of Columbia Housing
- Eagle Bank
- East West Bank
- Enterprise Bank
- Equity Bank
- Essex Savings Bank
- Exchange Bank
- Fairfield County Bank
- Farm Credit East
- Farmington Bank
- Fifth Third Bank
- First Bank
- First Bank and Trust of IL
- First Bank of Boulder
- First Bank of Lake Forest
- First Business Bank
- First Citizens Bank
- First Citizens Bank & Trust
- First Community Bank
- First County Bank
- First Federal Bank of the Midwest
- First Financial Bank
- First Guaranty Bank
- First Merchants Bank
- First Mountain Bank
- First National Bank
- First National Bank of Boulder
- First National Bank of Central Texas
- First National Bank of Coffee County
- First Niagara Bank
- First Republic Bank
- First State Bank & Trust
- First Utah Bank
- First Western Trust
- Five Star Bank
- Flagstar Bank
- Flatirons Bank of Boulder
- Folsom Lake Bank*
- Fortifi Bank
- FRA Centennial Bank of the West
- Frandsen Bank
- Frank and Jennifer Delgreco
- Free and Clea
- GE Credit Union
- Genworth Life Ins. Co
- Glacier Bank
- Golden Pacific Bank
- Golden Valley Bank
- Great Western Bank
- Greater Sacramento Development Corp.
- GRS Realty, LLC
- Guaranty Bank
- Guaranty Bank and Trust
- Guilford Bank and Trust
- Hanmi Bank
- Happy State Bank
- Helaba Landesbank Hessen- Thüringen
- Henthorn Family Trust
- Heritage Bank of Commerce
- Home Federal Savings Bank
- Hometown Bank
- Howard bank
- HP Capital LLC
- HSH Nordbank
- Huntington Bank
- Huntington National Bank
- iBorrow
- IDB Bank
- IH Credit Union
- ILS Lending LLC
- Infiniti Financial Services
- Independent Bank
- J.P. Morgan Chase
- Jet Lending
- Jewett City Savings
- JR&B

- Key Bank
- KeyCorp
- Lake Road Properties LLC
- Laurel Road Bank
- Layne Foundation
- Lehman Brothers
- Liberty Bank
- Litchfield Bancorp
- Loan Oak Fund, LLC
- LoanCore Capital
- Loomis Separate Property Revocable
- M&T Bank
- Main Source Bank
- Marion Haddad
- McCarthy Baker
- McCoy Ventures
- McFarland State Bank
- Mechanics Bank
- Mechanics Bank & Greater Sacramento
Cert. Develop. Corp
- Mercedes Benz Financial Services
- Metlife
- Michigan Business Connection LLC
- Mid First Bank
- Middlefield
- MidFirst Bank
- Midland States Bank
- Milwaukee Economic Development
Corporation
- Mobank
- Monson Savings Bank
- Morris, Smith & Feyh
- Mortgage Calmwater Capital
- MT Funding
- Mutual Federal (First Bank Richmond)
- Mutual of Omaha Bank
- National Iron Bank
- New Resource Bank
- Newfirst National Bank
- Newtek Small Business Finance, LLC
- Newtown Savings Bank
- North Side Bank and Trust
- NorthEast Community Bank
- Northwestern Mutual*
- NUVO Bank
- NY State Teachers' Retirement System
- Oritani Bank
- Pacific Alliance Bank
- Pacific Premier Bank*
- Pacific Union 7th Day Adventists (Parker Mortgage &
Investment Co.)
- Park National Bank
- Park View Financial Fund
- Patriot Bank
- Pender WEST Credit 1 REIT LLC
- Peoples Bank of Massachusetts
- People's National Bank
- Peoples State Bank
- Peoples United Bank
- Perpetual Federal Savings
- Plumas Bank
- PNC Bank
- Point Breeze Credit Union
- Preferred Bank
- Premier Valley Bank
- Presbyterian Church Investment & Loan Program, Inc.
- Priority Investor Loans
- Private Lender
- ProAmerica
- Prosperity Bank
- Protective Life Insurance
- Prudential Insurance
- PyraMax Bank
- Redwood Credit Union
- Revere Bank
- Riversource Life Insurance Company
- Robert C Barker
- Rockland Trust
- Rockville Bank
- Royal Bank of Canada (as LIHTC Syndicator)
- Royal Credit Union
- S&T Bank
- Salisbury Bank & Trust
- Sandy Spring Break
- Santa Cruz County Bank
- Savings Bank of Danbury
- Savings Institute Bank & Trust
- Security Bank of Kansas City
- Security Service Federal Credit Union (SSFCU)
- Simsbury Bank
- Sonoma Bank
- SSFCU
- StanCorp Mortgage Investors
- Standard Life Insurance
- State Bank of Cross Plains
- State Bank of Delano

- Stearns Bank
- Sterling Savings Bank
- Summit State Bank
- TBK Bank
- TCF Bank
- TD Bank
- The Commercial & Savings Bank
- The Episcopal Church in the Diocese of Northern California Endowment Trust
- The First National Bank of McGregor
- The Harbor Bank of Maryland
- The Park Bank
- The Private Bank & Trust
- Thomaston Savings Bank
- Torrey Pines Bank
- Toyota Financial Services
- TriCounties Bank/Private party
- Trimmings
- TruePartnerCredit Union
- UMB Bank
- Umpqua Bank
- Union Bank of California
- Union Savings Bank
- United Bank
- United Bank & Trust
- United Business Bank
- UPS Capital Business Credit
- US Bank
- US Department of Agriculture (USDA)
- US Small Business Administration (SBA)
- Varde
- Vectra Bank
- VMC Lender LLC
- Washington Trust
- Waterbury Development Corporation
- Waypoint Bank
- Webster Bank
- Wells Fargo
- Wells Fargo (SBA)
- Wesbanco
- WestAmerica Bank
- Westerly Community Credit Union
- Western Bank
- Westfield Bank
- Whitcraft LLC
- Whittier Trust Co of Nevada
- Wilshire Bank
- Windsor Federal Savings
- Wright-Patt Credit Union, Inc.