One of the biggest barriers to getting homeowners to retrofit their homes to make them more energy efficient and install renewables like solar panels is the high up front costs. While these investments pay out over time, most residents lack the thousands of dollars they need to pay for these upgrades. The City of Berkeley developed an ingenious method to overcome this problem that has gone viral across the country. Under the Property Assessed Clean Energy (PACE) program, local or state governments raise the capital for these investments from the municipal bond market. Homeowners then pay the local government back through assessments on their property tax bill. Homeowner applicants must provide a number of assurances that they are good for the money and that the investments will result in energy savings.

But Fannie and Freddie, the government-sponsored mortgage insurers, issued cryptic letters essentially telling lenders not to offer mortgages on properties with PACE assessments. Why? Because in the event of a foreclosure, the banks would get paid back only after governments get their PACE money. These letters have now caused PACE programs around the country to put their programs on hold, pending clarification. As I write about in an op-ed in today's San Jose Mercury News, Fannie and Freddie's concerns are overblown, and they should issue an immediate clarification and retraction. Federal guidelines for PACE programs already contain numerous safeguards to prevent losses, and in the event of a foreclosure, the government only gets paid back on the delinquent PACE payments, not the whole thing. And in any event, local governments have been using assessments for years for all sorts of public improvements, and Fannie and Freddie are calling into question that basic authority. When it comes to public improvements, you can't get any bigger than fighting climate change.