Senior Lender Consent

A briefing sheet for mortgage lenders and credit officers evaluating a C-PACE assessment on collateral property

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PREPARED Missouri Green Banc
AUDIENCE Forwardable to a credit officer

HOW TO USE THIS DOCUMENT

This sheet is written to be forwarded. Send it to the credit officer without editing it, and without adding characterizations of your own. The capital provider and Missouri Green Banc conduct the credit conversation; your role is to make sure it happens early and that the right people are in it. See **JA-07**.

A C-PACE assessment is a voluntary special assessment levied on a commercial property under Section 67.2800 of the Revised Statutes of Missouri, through the Missouri Clean Energy District. Missouri Green Banc administers the district on behalf of more than three hundred member communities. The assessment funds energy efficiency and renewable energy improvements to the property. The capital is private; the public role is the assessment mechanism.

The assessment requires the written consent of the existing mortgage lender. This sheet sets out what is actually being asked, and what it does and does not do to the lender's position.

WHAT IS AND IS NOT SENIOR TO THE MORTGAGE

Senior to the mortgage	The annual assessment installment then due, in the same manner as any other property tax or special assessment line item.
Not senior to the mortgage	The outstanding assessment balance. The balance does not accelerate on default and does not prime the mortgage. In any given year, the lender's exposure ahead of its position is one annual installment — not the whole obligation.

This is the single most consequential point on the sheet. A credit analysis that treats the full assessment balance as priming the mortgage will overstate the effect on the lender's position by an order of magnitude.

EFFECT ON COLLATERAL

The assessment funds physical improvements to the lender's collateral — building systems, envelope, and equipment. The improvements are expected to reduce operating expense and increase net operating income, which supports asset value and debt service coverage. This is a different fact pattern from subordinate debt funding a distribution or a sponsor recapitalization, where proceeds leave the asset.

EFFECT ON TOTAL LEVERAGE

C-PACE typically displaces subordinate debt, preferred equity, or sponsor cash that would otherwise fill the same position in the capital structure. In most transactions this reduces total leverage rather than increasing it, because the assessment amortizes fully while the alternatives commonly do not.

Where a stack comparison is useful, the capital provider will supply the structure with and without the assessment. Frequently the version including the assessment is the more conservative one.

STRUCTURAL CHARACTERISTICS RELEVANT TO CREDIT

- **Fully amortizing.** No balloon, no refinance requirement, and no maturity default on the assessment.
- **Fixed rate** for the full term, set at closing.
- **Non-recourse.** No guarantee stands behind the assessment; there is no additional borrower obligation to analyze.
- **Runs with the property.** On a transfer, the remaining assessment passes to the buyer. It is not accelerated by the sale.
- **Term of up to twenty years**, not exceeding the weighted average useful life of the financed improvements.
- **No acceleration of the balance.** Remedies on non-payment follow the ordinary property tax collection process for the delinquent installment.

WHAT CONSENT COVERS

Consent is documented on the Missouri Clean Energy District Senior Lender Consent Form. In substance, the existing mortgage holder acknowledges the assessment and consents to its levy on the property. Consent is customarily made a documented condition of the senior loan closing when raised at term sheet, rather than an amendment request after funding.

Consent does not subordinate the mortgage, does not modify the loan documents beyond the acknowledgment, and does not create an obligation of the lender to fund or advance anything.

DOCUMENTATION THE LENDER RECEIVES

Item	Source
Project scope and eligible cost allocation	Sponsor and design team
Energy modeling and projected economic benefit of the improvements	Qualified professional engaged by the sponsor
Assessment amount, rate, term, and amortization schedule	Capital provider
Form of assessment contract and the notice to be recorded	Missouri Clean Energy District
Senior Lender Consent Form	Missouri Clean Energy District
Stack comparison with and without the assessment, on request	Capital provider

QUESTIONS FREQUENTLY RAISED, AND WHERE THEY ARE ANSWERED

Question	Answered by
Priority, remedies, and the effect of delinquency	Missouri Clean Energy District and the capital provider
Assessment sizing, rate, term, and amortization	Capital provider
Eligibility of the proposed scope	Program review — Missouri Clean Energy District
Effect on the lender's own regulatory or investor requirements	The lender's own counsel and credit policy

CONTACT

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