



City of Brea

August 21, 2012

Mr. Alfred Pollard, General Counsel
Attn: Comments/RIN 2590-AA53
Federal Housing Finance Agency, Eighth Floor
400 Seventh Street, SW.
Washington, DC 20024

Subject: RIN 2590-AA53 Mortgage Assets Affected by PACE Programs; Comments on Advanced Notice of Proposed Rulemaking and EIS Scoping Comments

Dear Mr. Pollard:

Property Assessed Clean Energy (PACE) is an important innovation with a clear public purpose: promoting renewable energy and energy efficiency, reducing our reliance on imported fuel, promoting energy security, avoiding the cost of building new power plants, and protecting the environment. PACE has enormous potential to save homeowners money, create local jobs and significantly reduce energy usage. Because of its ability to promote homeowner investment in energy efficiency and clean, on-site renewable energy, 28 states passed PACE legislation in just two and a half years. PACE has bi-partisan support at the local, state and federal levels.

The City of Brea believes that FHFA's action to unilaterally halt local government PACE programs on July 6, 2010 was a move in the wrong direction. Brea appreciates the comment period now underway, and urge FHFA to look for ways to support PACE. The City of Brea recommends that the FHFA adopt reasonable underwriting standards that ensure local PACE programs are designed to maximize benefit and minimize risk, as described below.

1) PACE assessments are not "loans" as asserted by FHFA

FHFA has repeatedly referred to PACE assessments as "loans." To the contrary, they are property tax assessments with characteristics similar to those of more than 37,000 other land-secured special assessment districts in the United States that are well-established in hundreds of years of state and local law. PACE districts are similar to many other special assessment districts as well, in the size of their assessments and length of their repayment period.

2) PACE assessments present minimal risk

FHFA asserts that PACE presents "significant safety and soundness" concerns, but there is no evidence to support this. It has been documented that energy efficiency and renewable energy improvements reduce homeowners' energy bills, increase their property's value, strengthen their financial position, and increase the value of a lender's collateral. PACE financed improvements allow homeowners to hedge themselves against rising fuel costs. These factors lessen, if not eliminate, the safety and soundness risk than the FHFA has asserted.

City Council	Don Schweitzer <i>Mayor</i>	Brett Murdock <i>Mayor Pro Tem</i>	Ron Garcia <i>Council Member</i>	Roy Moore <i>Council Member</i>	Marty Simonoff <i>Council Member</i>
---------------------	---------------------------------------	--	--	---	--

3) Home energy improvements financed with PACE achieve important economic and environmental benefits

State and local governments have passed PACE laws because PACE has great potential to help governments attain important economic and environmental goals. For example, according to a May 2011 Department of Energy study, the Boulder County PACE program created over 120 jobs, generated more than \$20 million in overall economic activity and reduced consumers' energy use by more than \$125,000 in the first year alone. In developing a rule that serves the public interest, the FHFA must weigh perceived risks against economic benefits that reduce default rates.

4) Proposed Rule:

The City of Brea strongly urges FHFA to reverse its opposition to PACE programs. Brea recommends that FHFA's proposed rule provide that Fannie Mae, Freddie Mac, and any other mortgage lenders regulated by FHFA (Enterprises) be allowed to buy residential mortgages with PACE assessments that are originated by programs that conform to standards and guidelines such as those established in HR 2599 (The PACE Assessment Protection Act).

5) EIS Scoping Comments

The Proposed Action in FHFA's Environmental Impact Statement (EIS) should be changed to allow the purchase of mortgages subject to a first-lien PACE obligation or that could become subject to first-lien PACE obligations so long as the applicable PACE program conforms to standards and guidelines such as those established in HR 2599 (The PACE Assessment Protection Act) or the Department of Energy's "Guidelines for Pilot PACE Financing Programs" (May 7, 2010) (DOE Guidelines).

In closing, thank you for your attention to these concerns. The City of Brea looks forward to your reply at the conclusion of the comment period.

Sincerely,

A handwritten signature in blue ink that reads "D. Schweitzer". The signature is written in a cursive, flowing style.

Don Schweitzer
Mayor