



September 5, 2012

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

Re: Support for FHFA's Third Risk-Mitigation Alternative - H.R. 2599 Underwriting Standards

Dear Mr. Pollard:

I am writing to inform you that the City of Rancho Cucamonga supports FHFA's Third Risk-Mitigation Alternative - H.R. 2599 Underwriting Standards.

On June 15, 2012, the Federal Housing Finance Agency (FHFA) published in the Federal Register a notice of proposed rulemaking for public comment concerning underwriting standards for the Federal National and Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), collectively referred to as Enterprises, relating to mortgage assets affected by Property Assessed Clean Energy (PACE) programs.

The FHFA is considering three alternative means of mitigating the financial risks that first-lien PACE programs would otherwise pose to the Enterprises. FHFA invites comments regarding these alternatives or identification of other alternatives that FHFA has not considered which would address FHFA's duty to ensure that the Enterprises operate in a safe and sound manner.

PACE is an innovative tool for local governments that allows participating property owners in communities across the nation to finance energy efficiency and renewable energy projects repaid through an assessment on their property tax bill. PACE programs have been implemented with great success in California and throughout the country, and have served as an effective means of expanding energy efficiency and renewable energy, lowering energy bills, creating jobs, and cutting greenhouse gas emissions. Energy use from residential and commercial properties is a top contributor of greenhouse gas emissions in our country and so it is imperative that present and future property owners be given the opportunity to reduce their energy consumption.

Of the three alternatives identified in the Federal Register, the City of Rancho Cucamonga supports FHFA's Third Risk-Mitigation Alternative - H.R. 2599 Underwriting Standards, which would adopt the key underwriting standards set forth in H.R. 2599 (The PACE Assessment Protection Act of 2011) to protect the interest of local governments, homeowners, mortgage lenders, and government sponsored enterprises. H.R. 2599 has strong bipartisan support: 23 Republican and 32 Democrat sponsors, representing 16 states (CA, CO, FL, HI, IL, MD, MI, MO, NM, NY, NC, OK, PN, TX, VA,

and WI). Additionally, this alternative provides the greatest protections to all involved, including the following:

- A savings-to-investment ratio of greater than one (i.e., estimated savings on the borrower's cash flow due to the energy improvement exceed the amount financed through the PACE assessment)
- Non-acceleration of the PACE assessment in the event of delinquency
- A maximum term of the PACE assessment not exceeding the reasonably expected useful life of the financed energy improvements
- Eligibility criteria for improvements that are climate-specific
- A minimum equity requirement of 15%
- Consumer protection disclosures consistent with the Truth-In-Lending Act
- A requirement for the property owner to allow the mortgage holder to escrow amounts of the PACE assessment for payment to the local government, if required by the mortgage holder
- Recorded notice disclosing PACE assessment
- No involuntary liens on the property in excess of \$1,000
- Property owner is current on all mortgage debt on the property
- Property owner has not filed for or declared bankruptcy in the previous 7 years
- All property taxes and other public assessments are current and have been current for 3 years or the owner's period of ownership (if shorter than 3 years)

It is for these reasons that the City of Rancho Cucamonga supports FHFA's *Third Risk-Mitigation Alternative - H.R. 2599 Underwriting Standards*. Thank you for your consideration in this matter. If you have any questions or concerns, please contact Fabian Villenas at (909) 477-2700 ext 2006 or email Fabian.Villenas@cityofrc.us.

Sincerely,



L. Dennis Michael
Mayor

CC: Members of the City Council
John Gillison, City Manager
David Turch and Associates