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September 10, 2012

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

Dear Mr. Pollard:

On behalf of our members and supporters in 24 states, we write to urge you to ensure that state and local governments can implement Property Assessed Clean Energy (PACE) programs in order to curb global warming pollution and promote clean energy in their communities. We reject the notion that PACE programs increase financial risks to lenders and we urge the Federal Housing Finance Agency to issue a final rule that recognizes the substantial environmental and local economic benefits associated with PACE financing. As set out below, we propose an alternative that is consistent with the evidence and would allow PACE to proceed.

We have worked hard to enable state and local governments to utilize PACE financing, a groundbreaking policy tool. PACE has enormous potential to save homeowners money, create local jobs and dramatically reduce energy use. Because of its unique ability to spur homeowner investment in energy efficiency and clean, on-site renewable energy, PACE legislation was passed by 28 states in just two and a half years. It has strong bi-partisan support at the local, state and federal levels. This innovative and commonsense policy has a clear public purpose – the betterment of buildings in which we live and work; while protecting the environment, reducing our reliance on imported fuel, and promoting energy security.

Right now, 40 percent of the energy used in America goes to heat, cool, and power our buildings. And because much of this energy comes from dirty and dangerous sources like coal, oil, natural gas, and nuclear power, this accounts for nearly half of global warming pollution in the country. Furthermore, much of this energy is wasted, flying out of leaky doors and windows. This high level of energy consumption pumps billions of tons of global warming pollution into the atmosphere and costs Americans nearly \$4 billion every year.

Earlier this year, Environment America and our state groups released a report, *Building a Better America: Reducing Pollution and Saving Energy with Efficiency*, which found that we can reduce global warming pollution from buildings 30 percent and cut energy use in our homes and businesses a quarter by 2030 through smart efficiency policies. PACE financing can play a critical role in leveraging private investment to improve the energy performance of our buildings.

More than 30,000 comment letters in response to FHFA's Advance Notice of Proposed Rulemaking (ANPR) supporting PACE were submitted by state and local governments, federal and state elected officials, banks, real estate developers, energy companies, and organizations representing millions of Americans. Those comments cited numerous studies, articles, legal decisions and other sources providing evidence that PACE increases the value of homes, reduces homeowners' energy costs (thereby making mortgage repayment more likely), grows jobs and economic activity, and helps local governments meet greenhouse gas reduction and clean energy goals. FHFA must not ignore the substantial weight of the evidence in the record establishing that PACE does not pose material risks to the lenders, including Fannie Mae and Freddie Mac.

FHFA can and should adopt a final rule that provides adequate protection against the risk of default while insuring that PACE-financed investments add to the value of the property making the improvements by modifying Alternative 3 in the proposed rule as follows:

So long as all PACE liens are recorded and the Alternative 3 underwriting standards are satisfied, then the Enterprises shall:

1. *not* take actions to make immediately due the full amount of any obligation secured by a mortgage that becomes subject to a first-lien PACE obligation;
2. *be permitted* to purchase mortgages subject to first-lien PACE obligations; and
3. *if requested, consent* to the imposition of a first-lien PACE obligation.

This variation on Alternative 3 provides a solution that is supported by the evidence, can be implemented by local governments right away and will allow PACE programs to move forward to provide important environmental and economic benefits.

We welcome the opportunity to work with FHFA to further refine this modified alternative to the Proposed Rule if necessary. FHFA should not close the door to residential PACE when a workable solution is either available now or can be resolved in a collaborative stakeholder process in a relatively short period of time.

In sum, FHFA should adopt Alternative 3 to the Proposed Rule (modified as proposed in these comments), and leave the door open to the future use of insurance or reserve funds that could provide sufficient risk mitigation. This solution enables FHFA to enhance the value of lenders' portfolios while respecting the rights of local governments to protect public health and safety and allowing this extremely effective engine of job creation to move forward.

Sincerely,

Rob Sargent
Energy Program Director
Environment America on behalf of:

Environment California
Environment Colorado
Environment Connecticut
Environment Florida
Environment Georgia
Environment Illinois
Environment Maine
Environment Maryland
Environment Massachusetts
Environment Michigan
Environment Minnesota
Environment Missouri
Environment Nevada
Environment New Hampshire
Environment New Mexico
Environment New York
Environment North Carolina
Environment Ohio
Environment Oregon
Environment Rhode Island
Environment Texas
Environment Virginia
Wisconsin Environment