

From: Rhett Buttle <rbuttle@smallbusinessmajority.org>
Sent: Saturday, September 08, 2012 7:04 PM
To: !FHFA REG-COMMENTS
Subject: Comments/RIN 2590-AA53

September 7, 2012

Mr. Alfred Pollard
General Counsel
Federal Housing Finance Agency
400 7th St., N.W.
Washington, DC 20024

RE: The FHFA's adoption of key provisions of H.R. 2599 in its final PACE rule

Dear Mr. Pollard,

Small Business Majority, which advocates on behalf of the country's 28 million small businesses and self-employed individuals, urges the Federal Housing Finance Agency (FHFA) to allow Property Assessed Clean Energy (PACE) programs to move forward. Small business owners care about the innovative clean energy financing programs PACE provides because they have the ability to pad their bottom lines and significantly benefit our states and communities nationwide.

Evidence from existing PACE programs shows that PACE saves homeowners and small businesses money on their energy bills, creates much-needed local jobs, reduces our dependence on coal and other fossil fuels and cuts pollution—all while reducing risks to existing mortgage lenders. It would therefore be prudent for FHFA, in its final rulemaking process, to consider the substantial evidence showing PACE does not pose material risks to government-sponsored enterprises (GSEs).

Under FHFA's Proposed Rule, the benefits of PACE continue to be blocked under the misguided assumption that PACE programs increase financial risks to GSEs. Based on this assumption, the rule challenges the well-established authority of local governments to finance improvements through assessments, and endangers an extremely effective means of creating jobs and ensuring energy security. Thus, we would support an alternative rule that is consistent with the real evidence and that would allow PACE programs to proceed.

Our national opinion polling indicates small business owners support such programs: 72% support the government developing programs that enable property owners to finance the initial cost of energy efficiency improvements and/or small-scale renewable energy projects and pay them off in small increments that are added to property taxes. The vast majority of small business owners, or 87%, believe improving innovation and energy efficiency are good ways to increase prosperity for small businesses—and that's what PACE does.

PACE financing boosts local economic growth and creates jobs. According to a recent independent study, if just 1% of America's 75 million single family homeowners were to invest in PACE-financed energy upgrades (with an average project size of \$20,000), the economic impact would be \$15 billion in gross economic output, \$4 billion in combined federal, state and local tax revenue, and 226,000 jobs.

In addition, energy efficiency improvements are one of the cheapest, easiest ways to limit power plant pollution and reduce our dependence on coal and other fossil fuels while saving homeowners and businesses money. Renewable energy upgrades can also help prevent pollution and give property owners more reliable clean energy options. Our recent opinion polling found small business owners broadly support efforts to reduce harmful emissions from power plants, and they believe investments in renewable energy can stimulate the economy and create jobs now.

PACE can provide these benefits with minimal risk to existing mortgage lenders. In fact, early data from active programs indicates that PACE actually reduces existing lenders' default risk—out of more than 2,500 properties with active PACE liens, the number of existing lender defaults is far lower than the average mortgage default rate in those jurisdictions.

As the FHFA works to finalize its rule, it must employ the robust underwriting guidelines for PACE programs that are currently included in the bipartisan PACE Assessment Protection Act (H.R. 2599). The guidelines were designed with the objective of minimizing risks to lenders and consumers and include measures such as ensuring minimum equity in the home, capping PACE liens at 10% of the total home cost and ensuring a savings-to-investment ratio

greater than one. It is in the best interest of small businesses for the FHFA to consider the evidence showing PACE programs' success, and to play a key role in ensuring the safety and soundness of PACE financing. They can do this by adopting these underwriting guidelines as program requirements in order for mortgages on properties with PACE-financed improvements to be eligible for purchase by the government-sponsored enterprises.

We see PACE as key to our economic recovery and energy independence. Because of PACE's uniquely positive role in creating jobs, spurring local economic development and giving property owners and our communities more control over their energy costs, the FHFA should take action immediately to adopt a final rule that would maximize support for PACE and allow these programs to proceed.

Sincerely,

John Arensmeyer
Founder &
CEO