American
Public Power
Association

Ph: 202.467.2900
Fax: 202.467.2910
www.PublicPower.org

APPA

1875 Connecticut Avenue, NW
Suite 1200
Washington, DC 20009-5715

September 12, 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:

I am writing today on behalf of the American Public Power Association (APPA) to express concerns with the notice of proposed rulemaking (NPRM) relating to mortgage assets affected by Property Assessed Clean Energy (PACE) programs (Enterprise Underwriting Standards, 77 Fed. Reg. 36086 (June 15, 2012)(to be codified at 12 C.F.R. pt. 1254)).

APPA, based in Washington, D.C., is the service organization for the nation's more than 2,000 not-for-profit, community-owned electric utilities. Collectively, these utilities serve more than 46 million Americans in 49 states (all but Hawaii). APPA was created in 1940 as a non-profit, non-partisan organization to advance the public policy interests of its members and their customers, and to provide member services to ensure adequate, reliable electricity at a reasonable price with the proper protection of the environment.

APPA supports the PACE program, because of its tremendous potential to cut energy bills, increase homeowner cash flow for mortgage payments, reduce mortgage default risk, create tens of thousands of local jobs and dramatically reduce greenhouse gas emissions by spurring investment in clean energy improvements.

APPA disagrees with the Federal Housing Finance Agency's (FHFA) conclusion that that PACE programs materially increase financial risks to Fannie Mae and Freddie Mac (the Enterprises) and encourage FHFA to adopt in a final rule, with some modifications, the "Third Risk-Mitigation Alternative—H.R. 2599 Underwriting Standards" (Third Alternative) outlined in the Discussion of Proposed Rule and Alternatives Being Considered (Enterprise Underwriting Standards, 36107). Specifically, APPA is concerned that the Third Alternative would apply only prospectively and require the consent of the Enterprises for PACE obligations to be entered into. We believe that if PACE programs, and so PACE obligations, are designed or redesigned to meet the stringent standards of the Third Alternative, then they should be allowed to proceed—whether for properties with newly-entered or existing PACE obligations.

We understand FHFA's concerns about developing appropriate methodologies to implement this alternative, but also believe there is more than enough experience and expertise among those who have also commented on the NPRM and endorsed this approach for FHFA to design an effective set of regulations.

We also agree with others commenting on the NPRM that FHFA should not foreclose the options provided under "First Risk-Mitigation Alternative—Guarantee/Insurance" (Enterprise Underwriting

Standards, 36107)(First Alternative). There currently is neither and insurance product nor reserve fund that protects against all net losses attributable to a PACE obligation as suggested by FHFA. However, if such an insurance product or reserve fund became available, local governments should be given the opportunity to choose whether to use those resources to satisfy FHFA's concerns, rather than continue to rely on the standards established under the Third Alternative.

In conclusion, APPA hopes FHFA will continue to work with stakeholders to address remaining concerns for all parties to the Third Alternative and will provide for PACE programs to migrate to the First Alternative should insurance products or reserve funds meeting its standards become available.

Thank you in advance for your consideration.

Sincerely,

Mark Crisson

Mark Crisson
President & CEO

MC/*JG*