

CALIFORNIA ENERGY COMMISSION

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September 13, 2012

Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
400 Seventh Street S.W., Eighth Floor
Washington, DC 290024
RegComments@fhfa.gov

Re: Comments on the Federal Housing Finance Agency's Notice of Proposed Rulemaking concerning Enterprise Underwriting Standards for mortgage assets affected by Property Assessed Clean Energy programs – RIN 2590-AA53

Dear Mr. Pollard:

As the Lead Commissioner on Energy Efficiency for the California Energy Commission, I support the objectives of the U.S. Department of Energy (U.S. DOE) and state and local agencies to improve the energy efficiency of existing residential buildings through Property Assessed Clean Energy (PACE) programs. In the Notice of Proposed Rulemaking (NOPR), the Federal Housing Finance Agency (FHFA) has proposed a rule that will frustrate these objectives.

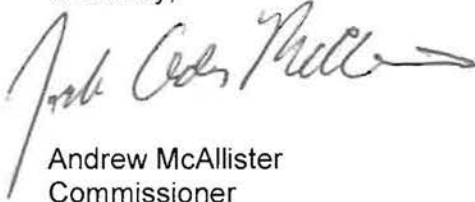
FHFA would prohibit the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) (together, the Enterprises) from purchasing or guaranteeing mortgages with first-lien PACE assessments, regardless of the cost-effectiveness of those assessments to home owners or their importance to achieving the energy reduction and related greenhouse gas reduction goals of California and other states. However, FHFA has not adequately considered the many studies and comments in response to the Advanced Notice of Proposed Rulemaking and to this NOPR, including from the California Attorney General and the County of Sonoma, that demonstrate that first-lien PACE programs do not pose substantial risks to property owners or to mortgage holders of properties with PACE assessments, and that first-lien PACE programs are a key component in state and national efforts to reduce energy consumption through real and lasting energy efficiency upgrades to existing buildings.

This is a serious concern to the Energy Commission since the proposed rule will effectively end first-lien PACE programs throughout the nation, as the Enterprises own or guarantee the majority of mortgages in the United States and set the standards for the rest of the secondary mortgage market. FHFA is closing the doors on a breakthrough financial tool to help residential homeowners make long-lasting energy efficiency improvements to their homes using low interest, long-term assessments on their mortgages, while making their homes cost less to live in and thus less likely to result in mortgage defaults. As a result of the proposed rule, both the United States and California will forego critical energy savings, which correlates to a waste of dollars on increased utility costs for homeowners and infrastructure costs to the state.

However, FHFA has also proposed an alternative to the proposed rule, specifically, the Third Risk-Mitigation Alternative, which proposes to adopt underwriting standards consistent with H.R. 2599 (the

PACE Assessment Protection Act of 2011). This Third Risk-Mitigation Alternative would allow first-lien PACE programs, and their associated reductions in energy consumption, to continue with reasonable protections for the Enterprises. For FHFA's consideration, Energy Commission staff have prepared and submitted detailed comments addressing the concerns that FHFA has raised about the Third Risk-Mitigation Alternative. I strongly urge FHFA to adopt a version of this Third Risk-Mitigation Alternative, which strikes an appropriate balance between protecting the financial interests of the Enterprises and achieving the energy and environmental goals of the nation and California.

Sincerely,



Andrew McAllister
Commissioner

cc: Robert Weisenmiller, Chair
Karen Douglas, Commissioner
Carla Peterman, Commissioner
Robert P. Oglesby, Executive Director