

Town of Babylon

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RICH SCHAFFER
SUPERVISOR

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:

In the ruling of August 9, 2012 granting California's motion for summary judgment on its APA claim while denying FHFA's motion, Federal District Judge Claudia Wilkens wrote:

"Pollard did not attest that the FHFA had considered alternatives to its blanket prohibition against the purchase of PACE-encumbered mortgages or that it had considered the impact on the public interest of blocking the PACE programs, other than minimizing risks for the Enterprises."

Herein lays the crux of the matter: FHFA calls for increasing magnitudes of data while the Agency, for its part, provides no quantitative evaluation to support its claims. PACE programs were categorically dismissed, based on an unproven assumption of risk to mortgage holders, and without consideration of the economic and environmental benefits that this financing provides to communities.

There is a multitude of irrefutable evidence that proves, sealing and insulating leaky homes reduces the energy required for heating and cooling. When performed by trained professionals, low-cost residential energy efficiency upgrades provide energy savings that are both predictable and verifiable. By correcting common building envelope deficiencies that can cause moisture and indoor air quality issues, energy upgrades also yield a more comfortable and durable home.

Since 2008, over 900 homeowners have expended an average of less than \$10,000 retrofitting their leaky houses through the Town of Babylon's Long Island Green Homes program. They have done this by taking advantage of a ten-year, benefit assessed obligation that pays itself back in energy savings in less than nine years. This program has not only allowed homeowners to make upgrades to their most valuable asset, but has provided an increasingly important community service by reducing CO2 emissions by over 4000 tons annually.

The FHFA continues to set insurmountable hurdles, invoking endless 'what-ifs' while eschewing any reasonable recourse. In the recent request for comments that the Federal court obliged FHFA to conduct, even so elemental a data point of building efficiency as the savings-to-investment ratio (SIR) was summarily dismissed by the Agency:

"SIR is an assumption driven estimate that, in FHFA's judgment, does not adequately reflect changes that a PACE-funded project may cause in the borrower's ability to repay."

The savings-to-investment ratio is well established, and has been used for years by numerous efficiency programs as a key metric to gauge an improvement's energy savings potential. The Long Island Green Homes program has successfully used it to qualify each of the proposed retrofits, setting a minimum SIR of 1.3. The Town of Babylon believes that it is using the most effective metrics for qualifying projects, and the FHFA has not offered any reasonable alternative.

At some point, institutional prerogative, flying under the flag of 'moral hazard,' will cede to resolution that is truly in the interest of homeowners and the 'safety and soundness' of the 'mortgage product.' To this end, the wisdom of Judge Wilkens will take root:

"The parties {PACE plaintiffs and FHFA defendants} agree that the paramount goal of the Safety and Soundness Act is to protect the stability and ongoing operation of the residential mortgage market and the interests of the state and municipalities depend on its stability. California and its municipalities have created a system of state and local laws and assessments, and they establish budgets that hinge on a functional real estate market. A healthy mortgage market is a foundational element of the real estate market."

As municipal PACE program aspirants throughout the nation see it, enhancing housing value through waste reduction that decreases operational expenses combined with the enhanced earning power of mortgage-holding tradesmen will only strengthen the real estate market.

The country awaits FHFA's realization that PACE programs will only contribute to the safety and soundness of middle-class America's greatest asset, their home. The nation will be better off and more prosperous place when that day arrives.

Sincerely,



Richard Schaffer
SUPERVISOR

cc: Suffolk County Executive Steven Bellone
Babylon Town Board