Congress of the United States

February 2, 2012

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

Dear Mr. Pollard:

We write in response to the request for public comments regarding the Federal Housing Finance Agency's (FHFA) proposal to prevent homeowners from participating in Property Assessed Clean Energy (PACE) programs by directing entities FHFA regulates to avoid purchasing mortgages in cities and towns that offer PACE programs. We believe that the FHFA should work in good faith with communities and states around the nation, as well as the Department of Energy and other federal agencies, to develop appropriate standards that allow PACE programs to move forward.

Access to financing was identified as a key barrier to improving the energy efficiency of our residential buildings in a report by the White House Middle Class Task Force entitled "Recovery Through Retrofit" published in 2009. The report found that "homeowners face high upfront costs and many are concerned that they will be prevented from recouping the value of their investment if they choose to sell their home." It goes on to say "the upfront costs of home retrofit projects are often beyond the average homeowner's budget." PACE programs address these concerns.

PACE programs provide municipal financing to help homeowners make energy efficiency improvements to their home, and in some cases also finance renewable energy installations such as solar panels. More than 20 states, including Vermont, have adopted PACE programs. Using the traditional authority local governments have to make tax assessments, these innovative programs permit homeowners to pay for the energy upgrades on their property tax bill over time. This overcomes a major barrier to investing in energy improvements in homes, which is access to upfront capital. Just as the physical improvements such as insulation or solar panels stay with the home, so too does the financing obligation, so that if a home is sold, the next owner receives the energy benefits and the repayment obligation. This feature allows for longer-term investments in home energy improvements.

That Middle Class Task Force report outlined the significant environmental and energy security benefits of programs like PACE. It noted that our nation's 130 million homes generate more than 20 percent of our nation's carbon emissions, which contribute to climate change. With existing technology, the Middle Class Task Force found we can reduce home energy consumption by 40 percent and cut greenhouse gas emissions by 160 metric tons annually by 2020. In addition, we could save up to $21 billion annually in energy costs by retrofitting homes, a pool of potential savings that can be used to pay for the initial upgrades and yield significant cost savings for homeowners. Further, analysis from The Brookings Institution found that participation in PACE programs by just 750,000 homes across the country could create more than 200,000 jobs.

In sum, PACE programs offer significant environmental benefits and the potential to save homeowners billions while creating hundreds of thousands of jobs. That makes preserving PACE programs a serious national priority. That is why, in specific response to question 17 of the Advanced Notice of Proposed Rulemaking, we encourage FHFA not to adopt its proposed action to continue to ban entities it regulates from purchasing mortgages in communities with PACE programs. We believe FHFA should adopt the no action alternative that would allow PACE programs to proceed, and should work in good faith with federal agencies, states, and communities to address any outstanding implementation issues and concerns.

We appreciate the need for appropriate standards to ensure that PACE programs offer quality energy efficiency and renewable energy work that achieves tangible energy savings for consumers. In that regard, we would point to efforts by the Obama Administration, such as publishing PACE implementation best practices in 2010, the Department of Energy's ongoing Guidelines for Home Energy Professionals project to establish strong national standards for retrofit work, and the effort by states and communities to set aside reserve funds to cover any potential defaults by PACE participants. Standardized requirements for PACE programs among the states would serve the Department of Energy's long-term objective of attracting investment in energy retrofits at scale. We also point out that a study by the American Council for an Energy-Efficient Economy demonstrated that default rates by participants in energy efficiency finance programs are "extremely low." Based on these and other efforts, we urge FHFA to work with federal agencies and states and local governments to develop appropriate standards for PACE programs that ensure homeowners receive quality work and that financing for individual projects is closely tied to expected energy savings. None of these issues are insurmountable and none give FHFA an excuse to make a wholesale rejection of PACE programs.

We conclude by noting the success of energy efficiency programs in Vermont as being illustrative of the potential for PACE and the need for PACE. Vermont is ranked number one in the nation by the American Council for an Energy-Efficient Economy for its utility efficiency programs. Vermont's ratepayers contribute to a public benefit fund that provides resources for our "energy efficiency utility" Efficiency Vermont to invest in projects. In 2010 Efficiency

Vermont was able to procure a kilowatt hour of savings for 4.1 cents, which compares to the cost of new generation at 14.4 cents. Overall energy savings in 2010 was 114,000 megawatt hours, which cut Vermont's electric energy needs by more than 2 percent and avoided 718,000 tons of carbon dioxide emissions. Efficiency measures taken since 2000 cut Vermont's projected electricity demand by 14 percent in 2010. Despite major savings in the residential sector, reaching more homes remains a challenge. Financing is one part of that challenge.

That is why Vermont adopted a PACE program. As noted by Vermont Energy Investment Corporation, which manages Efficiency Vermont, "Vermonters know that investing in energy efficiency and renewable energy improvements is good for the environment as well as financially beneficial" but "one major barrier to making these investments is lack of sufficient upfront capital." The benefit of PACE, even in a state like Vermont that has an advanced energy efficiency program, is that it "overcomes a key financial hurdle for making investments in energy efficiency and renewable energy." While Vermont and several other states have worked to adapt their programs in light of the restrictions put in place by FHFA, there is no doubt that PACE programs would function best and provide homeowners with lower cost capital if these restrictions are removed. We hope FHFA will take the opportunity that this rulemaking provides to reassess the value of PACE based on its broad support across the nation, and work in a cooperative fashion to help homeowners access energy efficiency and renewable energy investments.

We appreciate your consideration of these comments.

Sincerely,

Patrick Leahy

PATRICK LEAHY
United States Senator

Bernard Sanders

BERNARD SANDERS
United States Senator

Peter Welch

PETER WELCH
Member of Congress