From: Teresa Foster <fostertlu@gmail.com>
Sent: Wednesday, February 15, 2012 12:56 AM
To: !FHFA REG-COMMENTS
Subject: RIN 2590-AA53

Importance: High

February 14, 2012

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

RE: RIN 2590-AA53 Mortgage Assets Affected by PACE Programs

Dear Mr. Pollard:

In 2010, the Federal Home Finance Administration (FHFA)/Fannie Mae and Freddie Mac shut down the Boulder County ClimateSmart Loan Program (CSLP) as well as all other PACE financing mechanisms in the U.S. (PACE=Property Assessed Clean Energy). The beauty of our local PACE program was that "the property tax assessment would stay with the property" (the main selling point) and it was the reason why I signed on. It allowed me to have a solar system installed on my home when I couldn't do so with traditional financing.

However, the FHFA has pulled the plug, and that means if I sell my home, I will be required to pay off the full amount of the property tax assessment ($27,000+) rather than have it be transferred to the home's new owner. This will result in a huge financial loss for me (as well as other subscribers) in the CSLP program.

I went into this process with good faith that the financing mechanism put into place by Boulder County would perform like it should. But then I was told by the County Attorney, "sorry - there is nothing we can do." Boulder County's hands are tied and we are the victims. How could the Federal Government do this to me?

Not only is the FHFA's decision unfair, but it also implies that the Agency is:

1) Anti renewable energy
2) Anti energy efficiency

This is bad Public Relations and bad decision making from our Federal leadership – especially when we all know that we need to wean ourselves off the use of fossil fuels. Our country's national security is at stake. We are already beginning to face shortages in our fossil-fuel supply. What about the consequences of global warming from rampant burning of fossil fuels? Does that mean we are saying to our children and future generations – "who cares"?
This needs to be resolved so that these funding mechanism can be reinstated, otherwise thousands of us will face tremendous financial losses.

The ClimateSmart Loan Program is a sound financing mechanism and should be reinstated.

Furthermore, I ask you to please read the following:

1) PACE assessments are valid - and are not “loans” as asserted by FHFA

FHFA has repeatedly referred to PACE assessments as “loans.” To the contrary, they are property tax assessments with characteristics similar to those of more than 37,000 other land-secured special assessment districts in the United States that are rooted in hundreds of years of state and local law. Such districts are typically created at the voluntary behest of property owners who vote to allow their local governments to finance public improvements such as sewer systems, sidewalks, lighting, parks, open space acquisitions, and business improvements on their behalf. Other districts allow property owners to act voluntarily and individually to adopt municipally financed improvements to their property that are repaid with assessments. PACE districts are similar to many other special assessment districts as well, in the size of their assessments and length of their repayment period.

2) PACE assessments present minimal risks to lenders, investors, homeowners and GSEs

FHFA asserts that PACE presents “significant safety and soundness” concerns, but there is no evidence that this is true. There is long-standing experience, borne out by studies, that energy efficiency and renewable energy improvements reduce homeowners’ energy bills and increase their property’s value, strengthening their financial position and increasing the value of a lender’s collateral. PACE financed improvements allow homeowners to hedge themselves against fuel price spikes and rising fuel costs over time. These factors lessen, if not eliminate, the safety and soundness risk than the FHFA has asserted. Local governments that established PACE programs prior to the July 6, 2010 action by FHFA developed program standards to protect lenders and consumers. The White House (October 18, 2009) and the Department of Energy (May 7, 2010) both published national PACE guidelines with clear, strong underwriting standards to ensure that homeowners are able to afford the improvements. A bi-partisan bill in the House of Representatives (HR 2599 – Hayworth R-NY19) further delineates national standards to minimize risk to lenders and consumers. Finally, the early results of PACE pilot programs in Boulder County, CO; Sonoma County and Palm Desert, CA; and Babylon, NY; show that PACE presents minimal risk: there are only a handful of known defaults out of nearly 3,200 upgraded properties, substantially fewer than the rate of default for non-PACE property-owners in the same districts.

3) Home energy improvements financed with PACE achieve important economic and environmental benefits

State and local governments have also passed PACE laws because PACE has great potential to help governments attain important economic and environmental goals. For example, according to a May 2011 Department of Energy study, the Boulder County PACE program created over 120 jobs, generated more than $20 million in overall economic activity and reduced consumers’ energy use by more than $125,000 in the first year alone. These benefits are important by themselves. In developing a rule that serves the public interest, the FHFA must weigh perceived risks against economic benefits that clearly reduce default rates.

4) Proposed Rule:

I strongly urge you to reconsider your blanket opposition to PACE programs. I recommend that FHFA adopt a rule stipulating that Fannie Mae, Freddie Mac, and any other mortgage lenders regulated by FHFA be allowed to buy residential mortgages with PACE assessments that are originated by programs that conform to standards and guidelines such as those established in HR 2599 (The PACE Assessment Protection Act) to protect the interests of local governments, homeowners, mortgage lenders and Government Sponsored Enterprises (GSEs).

Sincerely,

Teresa Foster
712 Thornwood Way

Longmont, CO 80503
303-827-3268
fostertlu@gmail.com