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February 17, 2012

Mr. Alfred Pollard
General Counsel
ATTENTION: COMMENTS/ RIN 2590-AA53
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:

We believe that FHFA's action to unilaterally halt local government PACE programs on July 6, 2010 was unwarranted and detrimental to the economy and the housing market. This rulemaking provides an opportunity to establish a fact-based record and correct misinformation and misunderstandings, to the benefit of all stakeholders: local governments, mortgage lenders, homeowners, and our nation. We appreciate the opportunity, and urge you to look for ways to accommodate these broadly beneficial programs. To this end, we recommend that the FHFA adopt reasonable underwriting standards that ensure local PACE programs are designed to maximize benefit and minimize risk, as described below.

1) RESIDENTIAL Solar financing increases property values and minimizes loan risks
Home Value: Numerous studies show that energy efficiency and renewable energy measures increase a home's value and stimulates the local economy.

- An **April 2011 study** of 72,000 homes by the Lawrence Berkeley National Laboratory, for example, showed an average $17,000 sales price premium for homes with solar PV systems.
- Another 2011 study published in **the Journal of Sustainable Real Estate** of homes with Energy Star ratings showed purchase prices to be nearly $9.00 higher per square foot for energy efficient homes.
- An **earlier study** published in ***The Appraisal Journal*** in 1998 which showed that residential selling prices are positively correlated with lower energy bills, most often attributed to energy efficiency improvements.

2.) Residential solar decreases the unemployment rate in the USA.
Solar penetration in Europe is Germany is 35% of the residential market. The comparable USA solar residential penetration is only .7% Germany only has a 4.5% unemployment rate vs. the USA unemployment rate of 9%. Germany is shutting down 17 nuclear reactors because they have distributed residential energy. Germany is even on target to achieve energy independence

and they get only 1/3 the solar irradiance that the USA receives. Germany will have an 80% renewables rate by 2035 because of their support for distributed residential energy.

3) 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.

4) 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.

5) 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.

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6) **Require less equity to increase sales of unsold homes.**
Because Solar adds to the value and makes the property more desirable we urge you to lower PACE's current 15% equity requirement to 5% or less. The backlog of unsold repossessed homes will be quickly sold if this additional restrictive rule is eliminated.

7) Proposed Rule:
We strongly urge you to reconsider your blanket opposition to PACE programs. We 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).

My best wishes and sincere regards,

Redwood Renewables LLC

Tom Faust
CEO/ Managing Director