March 12, 2012

To: Mr. Alfred M. Pollard
General Counsel
Federal Housing Finance Agency

Attention: Comments - RIN 2590-AA53

Mr. Pollard,

As a concerned citizen, I am writing to urge the FHFA to withdraw the July 6, 2010 Statement and February 28, 2011 Directive, which have effectively stalled implementation of Property Assessed Clean Energy.

I urge the FHFA to allow the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) to purchase mortgage loans secured by properties with outstanding first-lien PACE and PACE-like obligations.

I have responses to some of the questions posted by the FHFA regarding this below:

Question 1: Are conditions and restrictions relating to FHFA-regulated entities' dealings in mortgages on properties participating in PACE programs necessary?
Answer to *Question 1*– NO.
PACE programs are local, and are examples of the traditional authority of local governments to use the tax code for public benefit. Such special assessments go way back in our US history, including using assessments to develop drain systems for mosquito abatement, and to shore up buildings to protect against earthquake damage.

It seems to me that the FHFA has somehow assumed authority to decide whether local government assessments are valid or not in the particular case of retrofits for clean energy, despite the long history of special property assessments, and the thousands of examples of other special property assessments levied by local governments.

The standards and best practices called for in the U.S. Department of Energy's "Guidelines for Pilot PACE Financing Programs" (Guidelines, May 7, 2010) are sufficient to minimize any possible risk to both public and private investments posed by the PACE program.
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Question 5*:* What alternatives to first-lien PACE loans (*e.g.,* self-financing, bank financing, leasing, contractor financing, utility company ''on-bill'' financing, grants, and other government benefits) are available for financing home-improvement projects relating to energy efficiency?

Answer Question 5: The alternatives for many homeowners are sparse. Most homeowners simply do not have the capital at hand to retrofit their property for clean energy. For most parts of the country, where there are no large community clean energy sources or potential leasing arrangements, that means searching for a home equity, or personal loan. Given home value situations in the United States since the housing bubble bursting in 2008, these types of loans are exceedingly hard for individuals to obtain.

PACE is viewed by many of the people in the area in which I live, a small rural town in the southwestern part of New Mexico, as their only possibility to retrofit their property in order to decrease their energy utility costs.
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Question 10: What, if any, protections or disclosures do first-lien PACE programs provide to homeowner borrowers concerning the possibility that a PACE-financed project will cause the value of their home, net of the PACE obligation, to decline.

Answer Question 10: The assumption in that question seems to be that there is a high likelihood that a property value would be harmed by a clean energy retrofit. That seems completely out of line with reality.

In a recent meeting with two of the top realtors in my town, I asked if in their experience they had ever seen having a clean energy retrofit decrease the market value of a property. They both were astounded at that question.

Their response was that given we live in one of the BEST areas in the US for solar, people looking to move here and buy property actively WANT to have passive solar, or solar photovoltaics. The overwhelming probability is that having such clean energy retrofits will ALWAYS maintain or increase the value of the property – not ever decrease it.
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An issue seemingly not addressed in the FHFA questions is one of local economic and societal value of PACE programs.

The Harvard Business Review, a respected and admired outlet for managerial thought, annually publishes a top 10 breakthrough ideas list (compiled in cooperation with the World Economic Forum). The PACE model was included as one of the top 10 “breakthrough ideas” for 2010. On page 51 of the January/February 2010 volume of the Harvard Business Review, this article titled. *A market solution for Achieving Green* discussing PACE initiatives concludes

“As opt-in solutions, they raise taxes only for the property owners who choose to take loans. Other constituents' pocketbooks are unaffected. Furthermore, retrofitting projects financed by PACE bonds bring employment for more construction and installation workers, potentially amounting to hundreds of thousands if not millions of jobs as this idea spreads across the country. What politician would not want to lay claim to a program that increased property values, lowered monthly utility costs, and created jobs?”

In summary, I urge the FHFA to follow the “No Action Alternative” as described in the Federal Register / Vol. 77, No. 17 / Thursday, January 26, 2012 / Proposed Rules. The No Action Alternative is to withdraw the July 6, 2010 Statement and the February 28, 2011 Directive. This would allow the Enterprises to purchase mortgage loans secured by properties with outstanding first-lien PACE and PACE-like obligations.

Sincerely,

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