From: Vance, Ken <kvance@ebay.com>
Sent: Wednesday, March 14, 2012 11:21 AM
To: !FHFA REG-COMMENTS
Subject: RIN 2590-AA53 - a personal note, please read

March 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:

I am sure you are getting several notes about the proposed changes to the PACE programs. I wanted to start off with my personal note in hopes that you will read this and not see it as part of a 'form letter'… For me, with the downturn in the housing market, although my family is about to outgrow our current house it is not a good time for me and my family to sell so instead we have decided to invest in remodeling our current house to make it more livable long term. As part of the remodel we would utilize Property Assessed Clean Energy (PACE) programs to make the initial investment in renewable energy at our house affordable. I'm in Utah, which is predominantly coal based power, which is cheap but extremely dirty. Utah has some of the nation's dirtiest/worst air quality. By allowing homeowners to spread out the cost of investing in renewable clean energy on an individual basis, collectively we could have a huge impact on the air quality of our communities and the health of our families. Please support the ongoing PACE programs; there is no impact to taxes or government funding, they are funded by individual opt in/voluntary assessments.

Property Assessed Clean Energy (PACE) is a groundbreaking state and local government innovation with a clear public purpose: reducing our reliance on imported fuel, promoting energy security, avoiding the cost of building new power plants and transmission systems, and protecting the environment. PACE has enormous potential to save homeowners money, create local jobs and dramatically reduce energy use. Because of its unique ability to spur homeowner investment in energy efficiency and clean, on-site renewable energy, PACE legislation was passed by 28 states in just two and a half years. It has strong bi-partisan support at the local, state and Federal levels. PACE programs have been received with such overwhelming public support because they address one of the most important problems facing America, and offer an ability to scale that is unmatched by other alternatives.

I believe that FHFA's action to unilaterally halt local government PACE programs on July 6, 2010 was unwarranted. 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) 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:
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).

Thank you for your time and support,

Ken Vance