

Richmond B. Shreve
Marguerite Chandler
P.O. Box 250, Cape May Point, NJ 08212
609-898-8714

February 15, 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:

We live in a very small community called Cape May Point, NJ. We have only 217 full-time residents in our town, so our tax base is very small. Most everyone in our community is retired and living on a fixed income. I am writing in support of PACE (Property Assessed Clean Energy), a groundbreaking state and local government innovation with a clear public benefit:

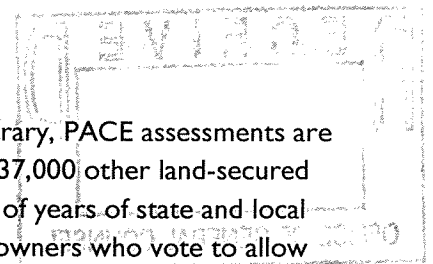
- To reduce our reliance on imported fuel
- To promote energy security
- To avoid the cost of building new power plants and transmission systems
- To protect the environment
- To reduce the on-going cost of an essential expense to individual home-owners for the long term

The low hanging fruit in energy sustainability is conservation: having our homes, businesses and public buildings use less energy. 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 2 ½ years. PACE is a model public-private partnership and has strong bi-partisan support at 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 ease of implementation that is unmatched by other alternatives.

FHFA's rulemaking that unilaterally halted local government PACE programs on July 6, 2010 has been unproductive. I urge you to allow local governments to implement the PACE program so that there will be 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). Alternatively, the FHFA can adopt reasonable underwriting standards that ensure local PACE programs are designed to maximize benefit and minimize risk, as follows:

1) PACE is not a "loan" as asserted by FHFA

FHFA has repeatedly referred to PACE assessments as "loans." To the contrary, PACE assessments 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. PACE districts are similar to many other special assessment districts that allow property owners to act voluntarily and individually to adopt municipally financed improvements to their property that are repaid with assessments that vary in the size and length of their repayment period.

2) PACE assessments minimize 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. 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 for local and state governments

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).

Sincerely,


Marguerite Chandler


Richmond B. Shreve