SWEAC

SOUTHERN WESTCHESTER ENERGY ACTION CONSORTIUM

March 19, 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 write to urge the Federal Housing Finance Agency to accommodate the development of Property Assessed Clean Energy (PACE) programs. The Southern Westchester Energy Action Consortium (SWEAC) is a consortium of the municipally-appointed sustainability committees of ten municipalities in Southern Westchester including Yonkers, White Plains, Greenburgh, Eastchester, Bronxville, Tuckahoe, Hastings-on Hudson, Dobbs Ferry, Irvington and Tarrytown. Our mission includes climate protection through reduction in greenhouse gas emissions, identifying cost savings for our municipal governments, residents and businesses, increasing energy efficiency in our communities, promoting renewable energy generation, fostering vibrant local economies, and aligning our efforts with county, state, and federal sustainability initiatives. We view PACE as central to our efforts to promote residential energy efficiency thereby saving residents money, strengthening our local economy and protecting our environment.

PACE is a groundbreaking state and local government innovation with a clear public purpose: reducing reliance on imported fuel, promoting energy security, avoiding the cost of building new power plants and transmission systems, and protecting the environment. PACE can save homeowners money, create local jobs and dramatically reduce energy use. Because of its unique ability to spur investment in energy efficiency and 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 overwhelming public support because they address a number of the most important problems facing America, and they offer a unique ability to scale.

In the face of the FHFA's action to halt local government PACE programs, we urge you 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. Specifically, 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 all parties involved: local governments, homeowners, mortgage lenders and Government Sponsored Enterprises (GSEs).

235 PALISADE AVE. DOBBS FERRY, NY 10522 T: 914-693-6222 WEB: SWEAC.ORG

Further, we note that 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. Other districts allow property owners to act voluntarily and individually to adopt municipally financed improvements to their property that are repaid with assessments.

In addition, there is no evidence that PACE presents "significant safety and soundness" concerns as asserted by FHFA. On the contrary, 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. 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. 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.

Finally**,** 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, we strongly urge you to weigh perceived risks against the multitude of known benefits.

Sincerely,

Nina Orville
Executive Director

Peter McCartt
Chairman, Advisory Board