SIMON® | PROPERTY GROUP, INC.

March 15, 2012

Mr. Alfred Pollard
General Counsel
Federal Housing Finance Agency
400 7th St., N.W.
Washington, DC 20024

RE: Assets Affected by PACE Programs (RIN 2590-AA5)

Dear Mr. Pollard,

As members of the real estate industry, we urge the Federal Housing Finance Agency (FHFA) to allow Property Assessed Clean Energy (PACE) programs to move forward. We care deeply about these innovative clean energy financing programs and the significant benefits they can bring to our states and communities nationwide.

Evidence from existing PACE programs shows that PACE saves homeowners and businesses money on their energy bills, creates much-needed local jobs, reduces our dependence on coal and other fossil fuels, and cuts pollution that harms our health and environment—all while reducing risks to lenders. Current data from these programs show existing lender default rates for mortgages secured by properties which have taken on PACE assessments to be far below average mortgage default rates in those communities. Moreover, structuring future PACE programs to incorporate the safeguards provided in H.R. 2599 (the PACE Assessment Protection Act) will substantially strengthen protections for consumers and existing mortgage lenders.

As you proceed with this rulemaking, we urge FHFA to withdraw the July 2010 directive freezing PACE programs and allow these programs to move forward. Hundreds of communities in the 27 states that have passed PACE-enabling legislation are counting on the Agency to carefully consider stakeholder input, the significant benefits of PACE programs, and the potential solutions to the Agency's concerns that have been included in H.R. 2599.

PACE programs can be structured to address FHFA's concerns and FHFA can take action to ensure the soundness of PACE. Robust underwriting guidelines for PACE programs are currently included in the bi-partisan PACE Assessment Protection Act (H.R. 2599). The guidelines were designed with the objective of minimizing risks to lenders and consumers and include measures such as ensuring minimum equity in the home, capping PACE liens at 10 percent of the total home cost, and ensuring a savings-to-investment ratio greater than one. Rather than cite the lack of national standards as a reason to oppose PACE, the FHFA should play a key role in ensuring the safety and soundness of PACE financing by adopting these underwriting guidelines as program requirements in order for mortgages on properties with PACE-financed improvements to be eligible for purchase by the government-sponsored enterprises.

We see PACE as a key to our economic recovery and energy independence. Because of PACE's uniquely positive role in creating jobs, spurring local economic development, giving property owners and our communities more control over their energy costs, and protecting our public health and environment, the FHFA should take action immediately to reverse the July 2010 directive blocking PACE and allow these programs to proceed.

Signed,

George Caraghiuar
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