



## Association of California Water Agencies

Leadership Advocacy Information *Since 1910*

March 22, 2011

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

RE: RIN 2590-AA53 Mortgage Assets Affected by PACE Programs

Dear Mr. Pollard:

The Association of California Water Agencies (ACWA) appreciates the opportunity to provide comments to the Federal Housing Finance Agency (FHFA) on the Advance Notice of Proposed Rulemaking concerning mortgage assets affected by Property Assessed Clean Energy (PACE) programs. ACWA's 450 public water agency members supply over 90 percent of the water delivered in California for residential, agricultural, and industrial uses.

PACE programs allow homeowners to pay for energy and water efficiency projects on their property tax bills. State and local laws, such as California's AB 811, clearly establish PACE's public purpose. ACWA urges FHFA to withdraw its July 6, 2010 Statement and February 28, 2011 Directive and allow Fannie Mae and Freddie Mac to purchase mortgage loans secured by properties with outstanding first-lien PACE and PACE-like obligations. Furthermore these properties should be secured on terms and conditions consistent with those applicable to mortgages without PACE assessments.

Prior to the July 2010 statement, homeowners in California were utilizing locally run PACE programs to finance numerous efficiency projects. Reversing this ruling would allow these projects to proceed and generate jobs nationwide. The PACE Now coalition estimates that retrofitting just 1% of America's homes with PACE projects would create 226,000 jobs, generate \$42 billion in economic output and \$4.2 billion in combined Federal, state and local taxes. When the program was running in one California County, there was a 7.5% increase in construction jobs during a one year period compared to a decrease of 3% in neighboring counties.

FHFA asserts that PACE presents "significant safety and soundness" concerns. However, this concern is not supported by the facts. ACWA member agencies invested in PACE pilot programs in California. Their experience plus experiences from other PACE pilot programs around the country shows that PACE presents minimal risk. There are only a handful of known defaults out

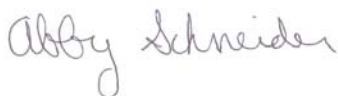
of nearly 3,200 upgraded properties, substantially fewer than the rate of default for non-PACE property-owners in the same districts. Additionally, there is long-standing experience, borne out by studies, that energy efficiency and renewable energy improvements reduce homeowners' energy bills and increase their property's value. These upgrades strengthen property owner's financial positions thereby lessening, if not eliminating, the "safety and soundness" risk.

FHFA incorrectly refers to PACE assessments as "loans" when in fact they are a viable financing tool rooted in hundreds of years of state and local law. Property assessments have characteristics similar to those land-secured special assessment districts. 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.

ACWA urges FHFA to withdraw its July Statement and February Directive and reconsider its opposition to PACE programs. ACWA encourages FHFA to allow Fannie Mae, Freddie Mac, and any other mortgage lenders to purchase residential mortgages with PACE assessments. As this rulemaking process moves forward, ACWA encourages FHFA to work with local and state governments, Congress and the Administration to develop a viable solution that will allow existing PACE programs to continue and encourage additional programs to flourish throughout the country.

Thank you for considering these comments. Should you have any additional questions please feel free to contact ACWA's Washington DC office at 202-434-4760.

Sincerely,

A handwritten signature in blue ink that reads "Abby Schneider". The signature is written in a cursive, flowing style.

Abby Schneider  
Federal Legislative Representative