

COUNTY OF SUFFOLK



OFFICE OF THE COUNTY EXECUTIVE

Steven Bellone
Suffolk County Executive

March 15, 2012

Mr. Edward DeMarco
Acting Director
Federal Housing Finance Agency
400 7th St, NW
Washington, DC 20024
Re: Attention: Comments/RIN 2590-AA53

Dear Acting Director DeMarco:

I am the newly elected County Executive for Suffolk on Long Island, New York. The county has a population of 1.5 million and 400,000 detached houses. The vast majority of Suffolk, represented by seven of its major towns, has joined together in the Long Island Green Homes Consortium to emulate an energy efficiency retrofit program that was launched in the Town of Babylon back in 2008. As the former supervisor of Babylon, I can personally testify to the success of this program, as well as the benefits realized by homeowners and tradesmen.

Over the past three plus years, the original Long Island Green Homes has retrofitted nearly seven hundred houses reducing energy consumption and emissions by 28% while saving, on average, nearly \$1,100 which, in most cases, covers the monthly obligation of the homeowner. Out of this total participation, there has been only one default and thirty two delinquencies for a rate of 0.15% and 4.6% respectively. Long Island Green Homes performance should dispel the supposition that property-assessed clean energy (PACE) poses a risk to the "safety and soundness" of the mortgage products that FHFA regulates.

Back on July 17, 2009, I wrote the following to your predecessor, James Lockhart:

"If you revisit and reevaluate the potential of ELTAPs {PACE obligations}, we believe you'll find they will enhance the value of participating homes and, in fact, reinforce, rather than "impair", the first mortgages. In reality, these programs will help homeowners stay in their houses by reducing their utility bills while providing a hedge against rising energy costs in the future. Consider that if 5% of houses whose mortgages are guaranteed by Fannie Mae and Freddie Mac were retrofitted through Green Homes programs, the dollar amount would add up, approximately, to an infinitesimal 0.3% of the total guaranteed by Fannie and Freddie. Know that we certainly appreciate your concerns and the importance of administering these programs responsibly, deferring to "prudent underwriting standards", and adhering to prevailing interest rates or better."

Director Lockhart did not respond. Nor did FHFA general counsel the following year when our town energy director sought clarification about program status. Given that Long Island Green Homes is the longest running municipally-administered residential retrofit program, FHFA would glean performance data they ostensibly seek. Note that the average retrofit is less than \$10,000, affording a payback in 8.7 years based upon a savings-to-investment ratio of 1.8.

FHFA has, in its January 26, 2012 request for comment, sought very exacting data on the operational soundness of PACE programs. Credible results can only be forthcoming from a wide, representative sample of programs that are all actually operating within a set of uniform parameters. That objective will require collaboration between selected municipalities. In preparing the framework, first consider the following axioms based upon our operational experience:

- In our municipality, we are concerned about the “safety & soundness” of our building stock.
- FHFA should consider that mortgages on unsound structures are at far greater risk.
- The quality of a property is vital to its liquidity.
- PACE retrofits enhance the “safety & soundness” of the mortgage.

“What, if any, objective evidence exists,” FHFA asks, to support the efficacy of PACE programs. FHFA has pointed out that over two dozen states have passed PACE enabling legislation. No note was taken, however, that but a handful of PACE programs have gone operational. This consequence is due primarily to various statements issued by Fannie Mae and Freddie Mac in May of 2010 followed by warnings issued by FHFA and OCC on July 6, 2010. Therein lies the Catch-22; FHFA requires a caliber of credible data that can only be forthcoming from clinical trials which it has, effectively, prohibited.

Given that FHFA is now, ostensibly, seeking in-depth data and analysis, there would appear to be common ground to work together on. As the couple of on-going PACE programs hardly satisfies the exacting metrics FHFA requests, perhaps the Agency would agree to green-light pilots around the country. As FHFA’s proposed evaluations would add prohibitive program costs to four-figure and small five-figure retrofits, the agency might seriously consider assuming the expense out of its formidable resources. Moreover, with FHFA directly engaged in evaluations, confidence in the results would be assured.

Sincerely,



Steven Bellone
COUNTY EXECUTIVE