

From: Chris Fowle <ccnewyork@yahoo.com>
Sent: Friday, March 23, 2012 12:36 PM
To: !FHFA REG-COMMENTS
Subject: RIN 2590-AA53

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

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

Dear Mr. Pollard,

As a member of Environmental Entrepreneurs, I urge the Federal Housing Finance Agency (FHFA) to allow Property Assessed Clean Energy (PACE) programs to move forward. Environmental Entrepreneurs (E2) represents a national community of business leaders who promote strong environmental policy to grow the economy. We are entrepreneurs, investors and professionals who collectively manage nearly \$90 billion of venture capital and private equity. Our members have started over 1,100 businesses, which in turn have created over 500,000 jobs.

Here in New York, the Long Island Green Homes program is a great example of a successful PACE program. Implemented in Babylon, NY, this program uses funds from the town's solid-waste reserve fund to provide financing for efficiency or renewable energy projects. In part because of successes like these, New York Mayor Michael Bloomberg has expressed strong support for PACE: "A New York City PACE program providing property owners with the upfront capital to make energy efficiency retrofits will create jobs and reduce energy costs for residents and businesses."

I respectfully urge the FHFA to take action immediately to reverse the July 2010 directive blocking PACE for the following reasons:

PACE Stimulates Economic Activity and Creates Jobs

PACE financing boosts local economic growth and creates local jobs. Boulder, Colorado's PACE program created over 120 jobs, generated more than \$20 million in overall economic activity, and reduced consumers' energy costs by more than \$125,000. According to a recent independent study, \$4 million of total PACE-financed energy project spending, spread evenly across four cities, would generate: \$10 million in gross economic output; \$1 million in combined Federal, State and Local tax revenue; and 60 jobs.[i] If just one percent of America's 75 million single family homeowners were to invest in PACE-financed energy upgrades (with an average project size of \$20,000), the economic impact would be \$15 billion in gross economic output, \$4 billion in combined federal, state, and local tax revenue, and 226,000 jobs.[ii]

Residential retrofitting is essentially construction work. PACE programs can provide the market certainty needed for the hard-hit construction sector to scale up retrofit activities and create jobs in communities around the country. One of the obstacles to growth of this sector has been the lack of appropriate financing mechanisms. These programs will bring much-needed private capital into the retrofit market and put a struggling sector back to work.

PACE Saves Businesses and Homeowners Money

Energy efficiency and renewable energy improvements are one of the most cost effective ways to

reduce power consumption. Retrofits can generate significant savings - by eliminating excessive energy waste, these improvements save businesses and homeowners money while also reducing America's dependence on coal and other fossil fuels.

PACE Reduces Risk to Existing Lenders

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.

Furthermore, PACE can further reduce risk to existing lenders by improving the value of their properties. Numerous studies show that energy efficiency and renewable energy improvements increase a home's value. For example, an April 2011 study of 72,000 homes by the Lawrence Berkeley National Laboratory showed that homes with solar PV systems had an average \$17,000 sales price premium.[iii]

PACE Does All This Without Federal Tax Subsidies, Mandates, or Expansions of Federal Programs

PACE is a local government solution that helps home and building owners finance energy efficiency and renewable energy improvements to their properties without relying on federal or local subsidies. PACE is not a loan program, but rather a mechanism that utilizes existing municipal authority to create special assessment districts to provide property owners upfront capital to install renewable and energy efficiency projects. PACE therefore enables participating property owners to pay for project costs incrementally through voluntary assessments on their annual property tax bills. PACE programs provide the private sector and local governments the opportunity to work together to make energy efficiency and renewable energy improvements for homes nationwide. In doing so, PACE programs hold potential to generate tremendous economic benefits to our nation - without federal tax subsidies, mandates, or the expansion of any federal programs.

PACE is 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, I respectfully urge the FHFA to take action immediately to reverse the July 2010 directive blocking PACE, and allow these programs to proceed. As a former banker, I know the critical importance of incentives in driving economic behavior. Without an easy, standardized way of doing retrofits, property owners will not be able to get these projects done.

Signed,
Chris Fowle

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[i] ECONorthwest, Economic Impact Analysis of Property Assessed Clean Energy Programs

(PACE), April 2011, available at <http://pacenow.org/blog/wp-content/uploads/PACE-Econometric-Study-by-ECONorthwest-for-PACENow-5-4-11.pdf>, (accessed on February 28, 2012).

[ii] Mark Muro and Devashree Saha, Bring Residential PACE Back to Life, Brookings Institution, February 22, 2012), available at http://www.brookings.edu/opinions/2011/0830_clean_energy_muro_saha.aspx, (accessed on February 28, 2012).

[iii] Brian Hoen, Ryan Wiser, Peter Cappers, and Mark Thayer, An Analysis of the Effects of Residential Photovoltaic Energy Systems on Home Sales Prices in California, Lawrence Berkeley National Laboratory, April 2011, available at <http://eetd.lbl.gov/ea/emp/reports/lbnl-4476e.pdf>, (accessed on February 28, 2012).

Simchack, Tom. Financing energy efficiency upgrades with property tax-based repayment. <http://ase.org/resources/property-assessed-clean-energy-financing-pace> (Accessed March 19, 2012)