



March 26, 2012

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

**BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT**

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

Dear Mr. Pollard:

The following comments from the Bay Area Air Quality Management District (Air District) are in response to the Federal Housing Finance Agency's Advance Notice of Proposed Rulemaking on adopting guidance concerning mortgages that are or could be affected by Property Assessed Clean Energy (PACE) programs. The Air District strongly supports the ability of local authorities to implement PACE programs which allow them to provide funds to participating homeowners to install energy-efficiency and renewable energy upgrades which are paid back over time in the form of a special assessment.

The Air District believes that PACE programs are extremely important tools in combating air pollution and climate change. PACE programs reduce financial barriers that inhibit the implementation of energy conservation and renewable energy projects for homeowners and businesses, particularly the high upfront cost of investing in such projects. Prior to FHFA's July 6, 2010, statement restricting purchasing residential mortgages with PACE assessments, a number of PACE programs had demonstrated their ability to accelerate energy conservation and generation regionally. This was done by improving energy efficiency via insulation, efficient windows, heating and cooling systems, and solar panels. PACE programs have also allowed homeowners to reduce the nation's reliance on imported fuel, promoted energy security, show a path to avoiding the costs of building new power plants and transmission systems, and to protecting the environment. In addition, PACE programs have an enormous potential to save homeowners money, create local jobs and dramatically reduce energy use.

We urge the FHFA to adopt reasonable underwriting standards that ensure local PACE programs flourish. PACE districts are similar to many other special assessment districts in the size of their assessments and length of their repayment period. Existing federal PACE guidelines ensure that homeowners are able to afford the improvements to their homes and pilot programs show that they present minimal financial risk. We encourage the FHFA to develop a rule that serves the public interest by weighing the minimized financial risks against the many environmental, health, air quality and climate benefits. We strongly urge you to reconsider your opposition to PACE programs and recommend that FHFA adopt a rule stipulating that mortgage lenders regulated by FHFA be allowed to buy residential mortgages with PACE assessments that conform to adopted standards and guidelines.

The Air District was created by the California Legislature in 1955 as the first regional agency to combat air pollution in California. The Air District jurisdiction includes Alameda, Contra Costa, Marin, Napa, Santa Clara, San Francisco, San Mateo, southwestern Solano, and southern Sonoma counties. The State Legislature originally gave the Air District the authority to regulate stationary sources of air pollution, such as factories, oil refineries, chemical plants, gasoline

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Nate Miley
(Secretary)

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MARIN COUNTY
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SANTA CLARA COUNTY
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SOLANO COUNTY
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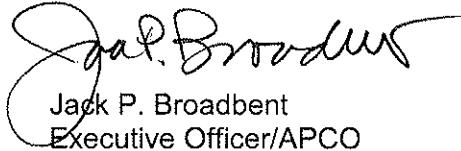
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Jack P. Broadbent
EXECUTIVE OFFICER/APCO

stations, and agricultural burning. Subsequently, the Air District was granted authority to enact transportation and mobile source measures. The Air District is governed by a twenty-two member Board of Directors, consisting of elected officials, including county supervisors, mayors, and city council members. The Air District has also invested over \$400 million over the past 10 years in alternative fuels and energy projects that reduce fuel usage, criteria pollutant and greenhouse gas emissions. This gives the agency a unique perspective on projects such as PACE and confidence that such projects can have big environmental dividends.

Air District staff appreciates your consideration of our comments. If you have any questions regarding our comments, please feel free to contact me or Damian Breen, Director of Strategic Incentives at (415) 749-5041 or dbreen@baaqmd.gov.

Sincerely,



Jack P. Broadbent
Executive Officer/APCO