CALSEIA
CALIFORNIA SOLAR ENERGY INDUSTRIES ASSOCIATION
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March 22, 2012

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

RE: RIN 2590-AA53 Mortgage Assets Affected by PACE Programs; Comments on Advanced Notice of Proposed Rulemaking and EIS Scoping Comments

Dear Mr. Pollard:

On behalf of the California Solar Energy Industries Association (CALSEIA) and its members we submit the following response to the Federal Housing Finance Agency's (FHFA) invitation to comment on the advanced notice of proposed rulemaking concerning Property Assessed Clean Energy (PACE). For reasons given below, CALSEIA strongly urges FHFA to adopt the No Action Alternative as its Preferred Alternative in drafting the Environmental Impact Statement, thereby withdrawing the July 2010 Statement and February 2011 Directive that FHFA issued to challenge PACE financing.

CALSEIA believes that FHFA's action to halt unilaterally local government PACE programs on July 6, 2010 was unwarranted and detrimental to the economy, the housing market and the creation of jobs. This rulemaking provides an opportunity to establish a fact-based record and correct misinformation and misunderstandings, to the benefit of all stakeholders: local governments, mortgage lenders, homeowners, and the energy efficiency and solar energy industries.

1) PACE assessments are valid - and are not "loans" as asserted by FHFA

FHFA refers to PACE assessments as "loans." To the contrary, they are property tax assessments with characteristics similar to those of more than 37,000 other land-secured special assessment districts in the United States that are rooted in hundreds of years of state and local law. 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.

2) **PACE assessments present minimal risks to lenders, investors, homeowners and GSEs**

FHFA asserts that PACE presents "significant safety and soundness" concerns. Residential solar financing increases property values and minimizes loan risks. Studies show that energy efficiency and renewable energy measures increase a home's value and stimulate the local economy. For example, in April, 2011 the Lawrence Berkeley National Laboratory released a study of 72,000 homes showing an average $17,000 sales price premium for homes with solar PV. PACE-financed improvements allow homeowners to hedge against utility rate increases over time. Though financing does not reduce the high up-front cost of solar PV, by spreading that cost over some portion of the system's life, financing can certainly make PV systems more affordable. These factors lessen, if not eliminate, the safety and soundness risk that the FHFA has asserted. Local governments that established PACE programs prior to the July 6, 2010 action by FHFA developed program standards to protect lenders and consumers. The White House (October 18, 2009) and the Department of Energy (May 7, 2010) both published national PACE guidelines with underwriting standards to ensure that homeowners were able to afford the improvements. A bi-partisan bill in the House of Representatives (HR 2599 – Hayworth R-NY19) further delineates national standards to minimize risk to lenders and consumers. Finally, the early results of PACE pilot programs in Boulder County, CO; Sonoma County and Palm Desert, CA; and Babylon, NY; show 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.

3) **Home energy improvements financed with PACE achieve important economic and environmental benefits.**

State and local governments have also passed PACE laws because PACE has great potential to help governments attain important economic and environmental goals. For example, according to a May 2011 Department of Energy study, the Boulder County PACE program created over 120 jobs, generated more than $20 million in overall economic activity and reduced consumers' energy use by more than $125,000 in the first year alone. In California, the solar industry employs more than 25,000 people. Labor costs for an average residential solar install range between 20 to 30 percent of the total installed costs. This percentage is in line with labor costs for other types of home-improvement construction. At a time when new construction has reached its limit, solar jobs can and do fill a void left by the construction industry. The Ygrene Energy Fund is implementing an investor-funded PACE program in Sacramento, California and Miami, Florida. According to Ygrene Energy Fund, "every $40 million spent on PACE projects results in 600 new local jobs." These economic benefits are important by themselves. In developing a rule that serves the public interest, the FHFA must weigh perceived risks against economic benefits that clearly reduce default rates.

PACE programs provide environmental benefit and reduce greenhouse gas (GHG) emissions, helping numerous states meet their GHG reduction goals. California has installed more than 1 gigawatt (GW) of rooftop solar power, 1 GW is equivalent energy to power 750,000 homes and the equivalent of two 500 MW natural gas-fired power plants. For the USA to move toward a clean energy future that reduces our need for nuclear power and fossil fuels, and to create jobs accompanied with cleaner air, water and energy, we must foster investment in clean energy. PACE programs create the opportunity for this investment.

4) Residential solar decreases unemployment in the USA.
Germany has one-third of the solar irradiance that the USA receives. However, solar penetration in Germany is 35% of the residential market. The comparable USA solar residential penetration is only 0.7%. Germany only has a 4.5% unemployment rate versus the U.S. unemployment rate of 9%. Germany plans to shut down 17 nuclear reactors, yet is on target to achieve energy independence. It will have an 80% renewables rate by 2035 because of their support for distributed renewable energy.

5) Proposed Rule
We strongly urge FHFA to reconsider its blanket opposition to PACE programs. We recommend that FHFA's proposed rule provide that Fannie Mae, Freddie Mac, and any other mortgage lenders regulated by FHFA (Enterprises) be allowed to buy residential mortgages with PACE assessments that were originated by programs that conform to standards and guidelines such as those established in HR 2599 (The PACE Assessment Protection Act) to protect the interests of local governments, homeowners, mortgage lenders and Government Sponsored Enterprises (GSEs).

Sincerely,

Mignon Marks

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