



March 26, 2012

Mr. Alfred M. Pollard  
General Counsel  
Federal Housing Finance Agency  
Eighth Floor, 400 7<sup>th</sup> Street, SW  
Washington, DC 20024

Re: RIN 2590-AA53

Dear Mr. Pollard,

Citi appreciates the opportunity to comment on the FHFA's Advance Notice of Proposed Rulemaking concerning mortgage assets affected by Property Assessed Clean Energy (PACE) programs. In this letter Citi is responding on behalf of its Municipal Securities Division, whose state and local governmental clients are focused on providing their constituents with access to low-cost financing of energy efficiency improvements. Such programs have the potential to meet public policy goals of energy conservation, economic development and environmental preservation.

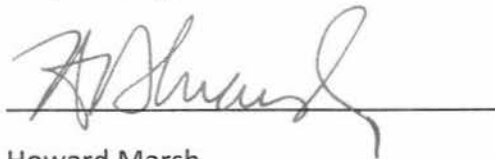
Citi is committed to the energy efficiency and renewable energy markets. To date, Citi has invested approximately \$30 billion firm-wide in energy efficiency and renewable energy projects as an equity investor, credit provider and underwriter. Recently, as part of this commitment Citi joined President Obama's Better Buildings Challenge, pledging not only to invest in energy efficiency but also to contribute to the development of innovative financing structures for such investments. PACE programs, if implemented appropriately, have the potential to provide a significant low-cost financing source for energy efficiency improvements for residential property owners.

Citi recognizes the Agency's concern that PACE programs could potentially threaten the safety and soundness of FHFA-regulated entities, banks, investors, and other mortgage market participants if such programs were undertaken without the establishment of specific conditions and restrictions. Standard underwriting criteria and guidelines should be developed and mandated by FHFA to provide programmatic consent for PACE programs and to ensure that FHFA-regulated entities are insulated from increased risk associated with non-standard underwriting criteria. Uniform standards would allow for risk to be more easily assessed and for capital to be more readily pooled, reducing financing costs for borrowers. We envision that PACE programs will be an efficient and low-cost financing source for residential energy efficiency improvements, taking advantage of the security that comes from a diversified pool of non-ad valorem assessments.

We also recognize the concern of other regulators, such as the Federal Reserve and the Office of the Comptroller of the Currency to ensure the safety and soundness of its regulated entities. Citi believes that creating a conservative, uniform, national framework for the implementation of PACE programs could protect those interests, as well as those of Freddie Mac and Fannie Mae, while supporting the energy conservation goals sought by PACE programs. A framework established by the FHFA and enacted by Fannie Mae, Freddie Mac, and the Federal Home Loan Banks would enable the financial markets to support a scalable program and protect the interests of the agencies, lenders, borrowers, home-owners, investors and other mortgage market participants.

Thank you for considering these comments. If you have any questions or would like to discuss this issue further, please contact the undersigned at 212-723-5373.

Respectfully,

A handwritten signature in black ink, appearing to read "H. Marsh", is written over a solid horizontal line.

Howard Marsh  
Managing Director and  
Head of the Municipal Securities Division