



CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

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March 19, 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:

I am writing on behalf of Connecticut's Clean Energy Finance and Investment Authority (CEFIA), the nation's first "green bank," to request that the Federal Housing Finance Agency (FHFA) allow Property Assessed Clean Energy (PACE) programs to move forward.

The state of Connecticut has set out an ambitious goal for energy efficiency and clean energy. My organization was established in 2011 to help attract private capital to help meet the Governor's energy strategy to achieve cleaner, cheaper and more reliable sources of energy through clean energy finance. We see PACE as a game-changing financial tool to unlock significant investment in building upgrades throughout our state.

One of the key programs we would like to deploy in the building sector is PACE. While we are moving forward in our legislature to attempt to pass senior lien Commercial and Industrial PACE this session, the ruling by FHFA on Residential PACE has halted our efforts on that program. CEFIA believes PACE is an innovative clean energy financing program that could be very effective in upgrading all segments of our building stock here in Connecticut.

PACE solves the key barriers that have historically hindered the adoption of energy efficiency and small-scale renewable energy: attracting capital for the upfront cost of the energy upgrade. There are two components of PACE that make it an attractive asset class for private investors:

1. PACE financing is repaid through the property tax bill
2. PACE liens occupy a senior lien position on an existing mortgage.

These two components make it a low risk investment for third party capital and keeps the cost of the capital low.

In addition to being attractive to investors it is also attractive to building owners for the following reasons:

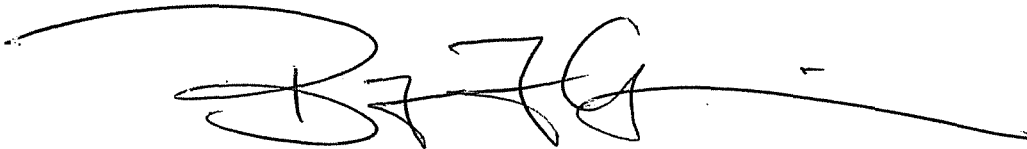
1. the remaining PACE assessments transfers to the next owner upon sale of the property, PACE financing aligns the assessment payments with the ongoing energy savings produced by the energy related improvements, ensuring a fair split between current and future owners
2. the PACE assessment can be paid back over twenty years, it keeps the cost low and ensures that the energy savings are higher than the repayment of the assessment.

Evidence from existing PACE programs shows that PACE saves homeowners and businesses money on their energy bills, creates much-needed local jobs, reduces our dependence on coal and other fossil fuels, and cuts pollution that harms our health and environment—all the while reducing risks to existing mortgage lenders. Current data from these programs show existing lender default rates for mortgages secured by properties which have taken on PACE assessments to be far below average mortgage default rates in those communities.

As you proceed with this rulemaking, CEFIA encourages the FHFA to withdraw the July 2010 directive freezing residential PACE programs and allow these programs to move forward. With new direction from FHFA, hundreds of communities in the 27 states that have passed PACE-enabling legislation would be able to launch programs to attract private capital into their buildings and reduce energy consumption.

CEFIA sees PACE as a key to achieving our goals of using finance to help Connecticut become the most energy efficient state in the nation. 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, the FHFA should take action immediately to reverse the July 2010 directive blocking PACE and allow these programs to proceed.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bryan Garcia', with a long horizontal flourish extending to the right.

Bryan Garcia
President
Clean Energy Finance and Investment Authority