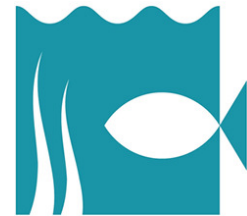




**Connecticut Fund
for the Environment**



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Connecticut Fund for the Environment

March 26, 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

Dear Mr. Pollard:

I am writing to urge FHFA to reconsider its opinion issued July 6, 2010 on residential Property Assessed Clean Energy (PACE).

PACE is a valuable and effective tool to promote the financing of energy efficiency improvements to an aging building stock. It is a tool that has proven itself in other states and that is needed in Connecticut. The amount of financing available to invest in efficiency must be greatly expanded to reach more buildings and provide for greater per unit investment. 84% of the housing stock in Connecticut was built before 1980 and 45% was built before 1960. Given that these residential buildings alone account for more than 20% of the state's greenhouse gas emissions and that they were built prior to the adoption of any meaningful energy code in Connecticut, we must improve their performance if we wish to reduce emission from the building sector in a meaningful way. Under the state's current efficiency programs approximately 1.5% of the state's housing stock can access the state's efficiency funds each year and those funds only cover the most basic improvements. At this rate it will take decades to reach a majority of the market and many opportunities will be missed.

Nationwide, if building owners improved the efficiency of their buildings by just 10%, by 2015 the country could reduce GHG emissions by more than 20 MMTCO₂ e, equivalent to the emissions of about 15 million vehicles. (based on data from the U.S Dept. of Energy's Energy Information Administration 2003). This target should be easy to reach with the right investment. A variety of simple, common cost-effective measures can significantly reduce energy demand. The figures below are typical energy reduction figures:

Air sealing (Insulation/window replacement)	20%
Duct Repair and sealing	15%
HVAC equipment upgrade	20%
Lighting and appliance upgrades	10%

An analysis focusing specifically on fuel oil performed by the American Council for an Energy Efficient Economy has found that cost-effective efficiency measures for existing residential buildings can reduce oil consumption by 36% or 209 gallons of fuel oil per year. (Reducing Oil use Through Energy Efficiency: Opportunities beyond cars and light trucks (ACEEE January 2006). Given the current record prices of heating oil, this would have a dramatic impact on reducing household expenditures and improving economic activity.

However, these measures involve up-front costs that can deter homeowners from moving forward. PACE programs overcome this barrier by providing low-interest, long-term loans that result in a neutral or positive cash-flow for the homeowner.

And these loans do not present any risk to the mortgage holder. Data on efficiency loan programs to date indicates that these are very low-risk, with default rates of 1/10th of one percent, compared to a 3 percent national average. Moreover the non-acceleration design of PACE assessments means that in the unlikely case of a default only the amount past due would have seniority on the mortgage. The outstanding balance would remain with the property to be paid in due course.

For the foregoing reasons, Connecticut Fund for the Environment urges FHFA to reverse its position regarding residential PACE assessments and allow Connecticut and the many other states around the country to move forward with PACE financing mechanisms for the benefit of their citizens, the economy and the environment.

Sincerely,

Charles J. Rothenberger
Staff Attorney
Connecticut Fund for the Environment