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Public Comments on Mortgage Assets Affected by PACE Programs:=====

Title: Mortgage Assets Affected by PACE Programs

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Comment: FHFA should consider how it is going to exact the depth of data it purports to need in its "request for comments?". At present there are but a handful of PACE programs in operation, clearly insufficient to provide definitive performance metrics.

1. FHFA should green light several dozen programs among the many municipalities that have been eager to move forward with PACE but were constrained by FHFA's edict.
2. To assure that the data is credible, FHFA should establish the parameters.
3. As the data required by FHFA is so voluminous that it would add onerous cost burdens to four-figure and low five-figure retrofits, the Agency should assume the cost of evaluations out of its considerable reserves.

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Richard Schaffer, Supervisor

March 23, 2012

Mr. Edward DeMarco
Acting Director
Federal Housing Finance Agency
400 7th St, NW
Washington, DC 20024
Re: Attention: Comments/RIN 2590-AA53

Dear Acting Director DeMarco:

FHFA has called for substantial amounts of data to analyze the efficacy of PACE program. It would, indeed, contribute mightily to the process if the Agency would release its internal evaluations that led to the public contention that PACE programs “present significant safety and soundness concerns” for mortgage products held by Fannie Mae and Freddie Mac. When Director Lockhart issued his so-called “ELTAP” advisory in June of 2009, Babylon Town Supervisor Steve Bellone suggested that FHFA evaluate its operational Long Island Green Homes program. No response was forthcoming. In checking with the few other operational programs in Sonoma and Boulder, for example, none were directly approached nor evaluated by FHFA. A declaration with the certainty and impact of the one made by FHFA on July 6, 2010 surely must have been based on rigorous analysis. Might FHFA, finally, share those results?

Next, FHFA should consider how it is going to exact the depth of data it purports to need in its ‘request for comments’. At present there are but a handful of PACE programs in operation, clearly insufficient to provide definitive performance metrics.

1. FHFA should green light several dozen programs among the many municipalities that have been eager to move forward with PACE but were constrained by FHFA’s edict.
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Last year, it was reported that FHFA had expended \$160 million to indemnify former Fannie and Freddie executives though it was not under contractual obligation to do so. You, Director DeMarco, said that “the advancement of such fees is in the best interest of the conservatorship.” By the same logic, verifying representations by FHFA should be advanced comparable monetary support.

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Additionally, it would facilitate the collaborative process for FHFA to develop an appreciation for the alternative value proposition that so many in this country, such as the largest state and organizations representing counties and cities across this nation, see in PACE:

- In our municipalities, we are concerned about the “safety & soundness” of our building stock.
- FHFA should consider that mortgages on unsound structures are at far greater risk.
- The quality of a property is vital to its liquidity.
- PACE retrofits enhance the “safety & soundness” of the mortgage.

Moreover, you should seriously consider the existential threat your July 6, 2010, declaration posed to the handful of programs in operation at the time. Babylon’s Long Island Green Homes program, for example, was directly and indirectly responsible for the jobs of 75 people. Had we closed down our program, the only mortgages whose “safety and soundness” would have been under threat were those 75 who were gainfully employed. This salient aspect remains the huge non-factored consequence of FHFA’s action. On Long Island, where up to 25% of the trades are out of work, there are 750,000 houses which, if retrofitted at a cost of \$10,000@, would represent \$7.5 billion in economic activity, not to mention the huge savings to homeowners. How many mortgages could be removed from harm’s way if all these tradesmen were put to work?

That brings up the actual existential threat to FHFA’s multi-trillion dollar mortgage holding. If 5% of America’s 80 million detached houses were somehow retrofitted over the next five years at \$10,000@, the sum total would amount to 0.3% of Fannie’s and Freddie’s total mortgage exposure. Consider that Babylon, with one of the most productive programs in the country, has reached just over 1% of its housing stock after 3½ years. A nominal rounding error hardly constitutes any kind of threat.

The time has come for FHFA to demonstrate rational guardianship of the mortgage market by jointly developing with PACE advocates program discipline augmented by the economic opportunities that would surely put more Americans on a firmer footing to meet their mortgage obligations.

Sincerely,



Dorian Dale
Energy Director & Sustainability Officer
Town of Babylon