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Sent: Saturday, March 24, 2012 7:37 PM
To: !FHFA REG-COMMENTS
Cc: Lucy Norment
Subject: RIN 2590?AA53

To the standard comments below I am adding my personal notes in red.

In general these rules and recommendations are written around a municipal bond financing structure. I think this is a very shortsighted structure and does not recognize the magnitude of investment needed nationally, the existing resources of cash and loan administration available to apply to energy conservation loans in the banking system, nor does it recognize the limitations of local governments in regard to staffing and bond funding. The drafting parties have sophisticated and progressive backgrounds and experiences in larger more urban municipalities but what about small town America?

I would like to see the program written around a local banking, home equity loan structure. Banks are perfectly capable of making home equity and business loans. The local government needs to adopt bank originated PACE loans into PACE districts in order to allow PACE loans to survive sales and foreclosures. If FHFA affiliates are protected from losses by an insurance policy covering the PACE loan payments in arrears, they risk and lose nothing. If it takes 1 year to foreclose, most PACE loans will have accrued less than $2,000 in payments! Surely this loss can be insured over!

The PACENow draft comments and my redmarks are as follows:

PACE residential programs should proceed. Fannie Mae, Freddie Mac, and other entities regulated by FHFA should at most be (Delete: required) allowed to establish underwriting standards (only if their potential losses are not insured over) and should be required to purchase mortgages with PACE assessments from programs that conform to the standards and guidelines established in (delete this if possible these are just home equity loans) (HR 2599 (The PACE Assessment Protection Act) to protect the interests of local governments, homeowners, mortgage lenders and Government Sponsored Enterprises (GSEs).

Do the GSE's regulate kitchen improvement loans? The answer is no! Then why do they want to regulate loans that save consumers energy expenses? This is incomprehensible to me. My bank sets adequate parameters for home equity loans. The banks home equity requirements are adequate for PACE loans too! The local jurisdiction needs only to approve the improvements and adopt a PACE loan into a PACE district.

Trillions of dollars are needed to improve existing homes and small businesses. The amount of municipal bond funding needed far exceeds market capacity to absorb such bonds. We need help from our banks, not hindrance from the GSE's.

My evaluations indicate that the loans pay for themselves in reduced energy bills. I. e, there is no cost to consumers. PACE allows the benefits to be repaid by the beneficiaries. PACE eliminates the market risk to an environmentally conscientious consumer who is doing the right thing:

* ?It is right to protect the environment.
* ? It is right to reduce our dependence on fossil fuels.
* ? It is right to create jobs for unemployed Americans.

So, why are the GSE's opposed to this?

1 – Rationale for PACE

PACE is a powerful programmatic and financing tool that can drive energy efficiency and renewable energy projects in buildings. PACE is uniquely attractive as a financing tool because it solves the two big problems that have prevented wide scale energy efficiency and renewable energy retrofit projects:

1. Transfer on Sale: PACE, like other municipal assessments, stays with the property upon sale, so homeowners need not worry that a loan payoff on sale will ruin the cost?effectiveness of the project. THIS IS THE HEART, SOUL, AND ESSENCE OF THE NEED FOR PACE. THIS CONNECTS BENEFITS TO BENEFICIARIES AND VOIDS A MARKET VALUE CONNECTION

And

2. Upfront Cost: PACE provides more attractive long?term financing that makes projects cost effective much sooner,

and

In its September 2011 report on Energy Efficiency Financing programs the American Council for an Energy Efficient Economy found that "most [loan] programs are not penetrating the market of potential consumers." More than half of the programs ACEEE studied had a participation rate of less than .5% of potential customers. PACE helps solve the problems that have prevented other energy efficiency financing programs from succeeding. PACE also helps achieve state and local government energy goals that may include:

1. Job creation and economic development without federal, state, or local government taxes and subsidies
2. Energy independence from foreign sources
3. Energy security for states by limiting reliance on inter?state energy transfers and strain on distribution systems
4. Avoided costs of building new power plants
5. A reduction in demand for new transmission lines
6. Reduction of demand for electrical and gas and thereby a lower price to consumers
7. Lower demand on the energy grid
8. Environmental protection from reduced burning of fossil fuels

All of the above are valid public purposes!

2 – PACE Assessments

Validity: FHFA says PACE assessments are not valid and should be treated like "loans" that cannot be senior to mortgages. FHFA argues that PACE assessments are also "unlike routine tax assessments" because they are voluntary and are "typically longer in duration". As outlined below, PACE districts are similar to other special assessment districts.

Authority to Decide: Elected legislators in 27 states and the District of Columbia have passed valid and unchallenged laws giving municipalities the right to create PACE benefit districts to finance energy efficiency projects that achieve public objectives.

Centuries of Precedent: PACE programs fit squarely within the longstanding tradition of using land?secured financing to support municipal programs – consistently upheld by courts.

PACE Districts Validated: State courts in California and Florida have already upheld the validity of PACE assessments, making it clear that FHFA insists that in this instance valid assessments be treated unlike all others.

No FHFA Authority: FHFA has no statutory authority to decide whether municipal assessments are valid or not. Despite passage of valid laws and court validation, FHFA has unilaterally decided, without seeking public comment or guidance, that PACE assessments should not be afforded the same treatment under Fannie Mae and Freddie Mac's standard mortgage (the Uniform Security Instrument) as all other assessments. Allowing FHFA to successfully challenge the validity of PACE sets a dangerous precedent.

Commonly Used: Local governments use special assessment districts to finance many types of community improvements that serve a public purpose. As of 2007, there were more than 37,000 special assessment districts in the United States. FHFA has not challenged the validity of other assessments and has no right to challenge PACE assessments.

Voluntary: Plenty of other benefit assessment districts are voluntary. Benjamin Franklin reportedly established the first in Philadelphia in 1736 for an opt?in fire district. More recent examples include voluntary programs for septic upgrades in Virginia and seismic strengthening for homes in California. There are tens of thousands of benefit districts established voluntarily by homeowners who vote to finance projects with assessments for things like water and sewer systems, parks, and open land acquisitions.

Duration: Countless assessments for public projects are perpetual. Others, for specific capital projects can extend for as long as 30 years or more. The FHFA is just wrong in asserting that PACE repayment periods are longer than most other assessments.

3 – PACE Assessments have Minimal Risk

PACE minimizes risk to homeowners, local governments and mortgage lenders for many reasons. FHFA should be challenged to address the following:

Savings: Because energy efficiency and renewable energy improvements reduce homeowners' energy bills, they are inherently safe investments for homeowners and lenders.

Hedge: Energy efficiency and renewable energy projects create a fixed hedge against, rising fuel costs, price spikes, or extraordinary demands for energy that endanger a homeowner's ability to make mortgage payments.

Home Value: Numerous studies show that energy efficiency and renewable energy measures increase a home's value.

*   ?An April 2011 study of 72,000 homes by the Lawrence Berkeley National Laboratory, for example, showed an average $17,000 sales price premium for homes with solar PV systems.
*   ? Another 2011 study published in the Journal of Sustainable Real Estate of homes with Energy Star ratings showed purchase prices to be nearly $9.00 higher per square foot for energy efficient homes.
*   ?An earlier study published in The Appraisal Journal in 1998 which showed that residential selling prices are positively correlated with lower energy bills, most often attributed to energy efficiency improvements.

Additionally, guidelines recommended by the White House (October 18, 2009) the Department of Energy (May 7, 2010) and HR 2599 (Hayworth, R?NY19) established clear consumer protections and underwriting standards to protect homeowners and lenders. Consumer and lender protections in HR 2599 include: Non?Acceleration: Future, unpaid PACE assessments remain with a property upon sale or other transfer to a new owner, protecting lenders from total extinguishment of unsecured debt or home equity lines in defaults when a home is worth less than its outstanding mortgage balance.

I think it's much better if you let home owners and home loan officers decide on these criteria but if these will make this bill pass we can live with it. It stinks but it's better than nothing!

15% Equity Test: In order to qualify for PACE financing, homeowners m us have 15% equity in their home.

Project Limitations: PACE?financed projects cannot exceed 10% of home value.

Cost Effective: Projects must pay for themselves by having a savings?to? investment ratio greater than one.

Quality Work: A required energy audit and any work performed must be done by an accredited, qualified contractor.

Soundness: PACE financing is only available to homeowners who have a solid history of on?time mortgage and tax payments and no recent bankruptcies.

4 – PACE Creates Huge Benefits

PACE programs can drive energy projects that result in significant economic activity, Federal, state and local tax revenue and jobs. According to a 2011 study by the Department of Energy, the Boulder County, Colorado 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!

Another national study commissioned by PACENow concluded that if $1 million were spent on PACE improvements in each of four American cities, it would generate $10 million in gross economic output; $1 million in combined Federal, state and local tax revenue; and 60 jobs.

Thank You!

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