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Re: Comments on RIN 2590-AA53 "Mortgage Assets affected by PACE Programs"

The PACE mechanism of financing offers substantial benefits to municipalities and homeowners which are not available to the same extent from other sources. PACE is not simply a substitution of a public financing mechanism that is otherwise available from other sources. The very nature of energy efficiency investments in the home and their relative lack of portability negatively affect both the willingness of lenders to finance those improvements as they are generally difficult to repossess, and similarly, homeowners can't take them when they move elsewhere as these are typically core parts of the housing unit itself. FHFA should not take action to reduce availability of this important funding mechanism for low risk investment.

The public and homeowner benefits associated with clean energy and energy efficiency are well established. The cheapest and cleanest new source of electrical power is the one that comes from improving the efficiency of use of existing resources. More service from the same resource is an obvious public benefit. The FHFA's attempts to quash the PACE financing mechanism have led to increased costs for municipalities and individual homeowners, including those with mortgages covered under FHFA's operations.

Benefits from investments in energy efficiency are particularly low risk and long-lasting. Efficient windows, doors and insulation, for instance, can remain as effective parts of the building for the remainder of its lifetime. Renewable energy projects such as solar PV are also long lasting, with expected operational lifetimes of 20-30 years in most cases. Reducing regular costs associated with homeownership reduces the repayment risk of a mortgage loan, as demonstrated with the US Environmental Protection Agency's EnergyStar Loan Program.

Key in understanding the value to be derived from the PACE-style investment financing mechanism is that whatever the duration of the investment, the benefits will continue to accrue to that specific home and the community in which it resides. They are fixed physical investments not easily or cheaply transferable to other locations. Mitigating increasing energy use at the local level enables communities to delay investments in upgrading local utility equipment. Even if the utilities are not municipally owned, avoided disruption from upgrades as well as additions to a local utility's rate base are meaningful community benefits, legitimately advanced by affected municipalities through establishment of PACE special assessment districts.

In contrast with the long duration of efficiency investments, the median US homeowner lives in their home an average of 8.7 years. People know that they may move out of their current home in a manner of years; in fact, particular populations, such as younger owners, are more likely to move even more frequently. Thus, investments in energy efficiency will continue to yield benefits long after the owner that made the investment has moved on, and PACE financing conveniently allows any remaining years of repayment obligations to be passed on to subsequent owners.

At the same time, investments in energy efficiency are less visible in a world where "curb appeal", square footage, number of bathrooms and granite countertops are primary marketing points for homebuyers. Energy intensity and lower utility bills, while present and important and salient month to month, are not easily identifiable in the marketing and sale price of home as these other home elements. While multiple studies have shown improved value from renewable energy and efficiency investments (such as a Lawrence Berkely Laboratory study LBNL-4476E which found a $17,000 premium for solar homes and Bloom, B et al Valuing Green Home Designs: A study of EnergyStar Home which found a $9/ft2 premium for efficient homes), the average homeowner may worry about whether their investment can be recouped.

PACE changes some of that dynamic by sourcing the investment capital not from the individual homeowner, but leveraging the tax assessment of their property. Thus, rather than competing with alternative investments that might be more portable and liquid, energy efficiency investments funded through PACE structures leverage that which is unique to them, their durability and physical connection to a specific tax lot.

Through use of these financial mechanisms, cash flow available to homeowners is increased and their ability to make mortgage payments enhanced. So to, communities will be less burdened with future utility investment and associated increases to energy costs. PACE represents an elegant solution to securing maximum benefits from energy efficiency for homeowners and communities at minimum cost.