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MARC
Mid-America Regional Council

March 23, 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:

Thank you for the opportunity to provide input prior to the FHFA Rulemaking and EIS Scoping regarding mortgages and PACE financing. The Mid-America Regional Council (MARC) is the association of city and county governments and metropolitan planning organization for the bi-state Kansas City region. We serve nine counties and 120 cities in eastern Kansas and western Missouri. A major initiative of MARC is to transform the energy retrofit market so as to conserve energy in homes and businesses, create jobs and reduce greenhouse gas emissions.

The *Harvard Business Review* considered PACE to be one of the top 10 "breakthrough ideas" for 2010 and twenty-eight (28) states have adopted PACE legislation, including our state of Missouri. MARC is currently conducting a feasibility study of PACE. It appears to be a potential financing mechanism that will allow the region to finance energy retrofits long after federal subsidies expire.

Research has found that it is important for the FHFA to have underwriting standards that maximize the energy efficiency benefits of PACE while minimizing the underwriting risks. More specifically, we offer the following comments:

1) PACE assessments are similar to traditional special assessments for sewers and streets and are not loans.

FHFA refers to PACE assessments as "loans." Actually, they are property tax assessments similar to those of more than 37,000 other land-secured special assessment districts in the United States that are rooted in many years of state and local law. Such districts are typically created by a petition from property owners requesting their local governments to finance public and business improvements.

2) PACE assessments present minimal risks to lenders, investors, homeowners and Government Services Enterprises.

Energy efficiency and renewable energy improvements reduce homeowners' energy bills and increases property values. Early results of PACE pilot programs in Boulder County, Colorado, Sonoma County, California and Babylon, New York show that there are only a handful of defaults out of nearly 3,200 upgraded properties. This is substantially fewer than the rate of default for non-PACE property-owners in the same districts.

3) Home energy improvements financed with PACE achieve important economic and environmental benefits

State and local governments have passed PACE laws because PACE has great potential to help governments attain important economic and environmental goals. For example, according to a May 2011 Department of Energy study, the Boulder County 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. In developing a rule that serves the public interest, the FHFA must weigh perceived risks against economic benefits that clearly reduce default rates.

4) Proposed Rule

We encourage FHFA to consider the above information in determining how to modify its position on PACE programs and for any revisions to the Statement and the Directive. Such changes in FHFA's proposed rule could provide that Fannie Mae, Freddie Mac, and any other mortgage lenders regulated by FHFA enterprises be allowed to buy residential mortgages with PACE assessments that are originated by programs that conform to standards and guidelines such as those established in HR 2599, The PACE Assessment Protection Act.

5) EIS Scoping Comments

The Proposed Action in FHFA's Environmental Impact Statement should be changed to provide that the Enterprises *may* purchase mortgages subject to a first-lien PACE obligation or that could become subject to first-lien PACE obligations so long as the applicable PACE program conforms to standards and guidelines such as those established in HR 2599, The PACE Assessment Protection Act, or the Department of Energy's "Guidelines for Pilot PACE Financing Programs".

If FHFA does not alter the Proposed Action, one of the alternatives analyzed in the EIS should be revisions to the FHFA's July 6, 2010 Statement and February 28, 2010 Directive to provide that the Enterprises are permitted to purchase mortgages subject to a first-lien PACE obligation or that could become subject to first-lien PACE obligations so long as the applicable PACE program conforms to standards and guidelines such as those established in HR 2599 or the DOE Guidelines.

Thank you again for the opportunity to comment. National research has shown that PACE has real potential as a financing tool to help our country become energy efficient and better protect its natural resources.

Sincerely,

Roger Kroh
Energy Conservation Projects Manager