

March 26, 2012

Mr. Alfred Pollard  
General Counsel  
Federal Housing Finance Agency  
400 7<sup>th</sup> St., N.W.  
Washington, DC 20024

RE: Mortgage Assets Affected by PACE Programs (RIN 2590-AA5)

Dear Mr. Pollard,

On behalf of our 4 million members and supporters, the National Wildlife Federation urges the Federal Housing Finance Agency (FHFA) to allow Property Assessed Clean Energy (PACE) programs to move forward. Our members care deeply about these innovative clean energy financing programs and the significant benefits they will bring to our states and communities nationwide.

Evidence from existing PACE programs shows that PACE saves homeowners and businesses money on their energy bills, creates much-needed local jobs, reduces our dependence on coal and other fossil fuels, and cuts pollution that harms our health and environment—all while reducing risks to existing mortgage lenders. Current data from these programs show existing lender default rates for mortgages secured by properties which have taken on PACE assessments to be far below average mortgage default rates in those communities. Moreover, structuring future PACE programs to incorporate the safeguards provided in H.R. 2599 (the PACE Assessment Protection Act) will substantially strengthen protections for consumers and existing mortgage lenders.

As you proceed with this rulemaking, we urge FHFA to withdraw the July 2010 directive freezing PACE programs and allow these programs to move forward. Hundreds of communities in the 27 states that have passed PACE-enabling legislation are counting on the Agency to carefully consider stakeholder input, the significant benefits of PACE programs, and the potential solutions to the Agency's concerns that have been included in H.R. 2599. Below we outline the primary reasons why FHFA should revive these critical programs and the protections PACE provides to homeowners and businesses as well as existing mortgage lenders.

**PACE provides significant economic and public health benefits at very low risk**

In the absence of clear policy guidelines, it can provide clarity and financing mechanisms which enable service providers to commit to taking on employees and scaling their business. This will permit companies to bring in to workers on a permanent basis, with the certainty of financing.

PACE financing boosts local economic growth and creates local jobs. According to a recent independent study, \$4 million of total PACE-financed energy project spending, spread evenly across four cities, would generate: \$10 million in gross economic output; \$1 million in combined Federal, State and Local tax revenue; and 60 jobs.<sup>1</sup> On a broader scale, if just one percent of America's 75 million single family homeowners were to invest in PACE-financed energy upgrades (with an average project size of \$20,000), the economic impact would be \$15 billion in gross economic output, \$4 billion in combined federal, state, and local tax revenue, and 226,000 jobs.<sup>2</sup> Moreover, a substantial portion of the jobs created would be in the struggling construction sector. In the span of only one year, Boulder, Colorado's PACE program created over 120 jobs, generated more than \$20 million in overall economic activity, and reduced consumers' energy costs by more than \$125,000.

In addition, energy efficiency improvements are one of the cheapest, easiest ways to limit power plant pollution and reduce our dependence on coal and other fossil fuels, while saving homeowners and businesses money. Renewable energy upgrade also can help prevent pollution that harms our health and environment and give property owners more reliable clean energy options. Importantly, PACE can provide these benefits with minimal risk to existing mortgage lenders. In fact, early data from active programs indicates that PACE actually reduces existing lenders' default risk--out of more than 2,500 properties with active PACE liens, the number of existing lender defaults is far lower than the average mortgage default rate in those jurisdictions.

In addition, PACE can further reduce risk to existing lenders by improving the value of their properties. Numerous studies show that energy efficiency and renewable energy improvements increase a home's value. For example, an April 2011 study of 72,000 homes by the Lawrence Berkeley National Laboratory showed that homes with solar PV systems had an average \$17,000 sales price premium.<sup>3</sup> Another 2011 study indicated that homes with EnergyStar ratings showed purchase prices to be nearly \$9.00 higher per square foot for energy-efficient homes.<sup>4</sup> These studies confirm the work of an earlier study which showed that residential selling prices are positively correlated with lower energy bills, most often attributed to energy efficiency improvements.<sup>5</sup>

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<sup>1</sup> ECONorthwest, Economic Impact Analysis of Property Assessed Clean Energy Programs (PACE), April 2011, available at <http://pacenow.org/blog/wp-content/uploads/PACE-Econometric-Study-by-ECONorthwest-for-PACENow-5-4-11.pdf>, (accessed on February 28, 2012).

<sup>2</sup> Mark Muro and Devashree Saha, Bring Residential PACE Back to Life, Brookings Institution, February 22, 2012), available at [http://www.brookings.edu/opinions/2011/0830\\_clean\\_energy\\_muro\\_saha.aspx](http://www.brookings.edu/opinions/2011/0830_clean_energy_muro_saha.aspx), (accessed on February 28, 2012).

<sup>3</sup> Brian Hoen, Ryan Wiser, Peter Cappers, and Mark Thayer, An Analysis of the Effects of Residential Photovoltaic Energy Systems on Home Sales Prices in California, Lawrence Berkeley National Laboratory, April 2011, available at <http://eetd.lbl.gov/ea/emp/reports/lbnl-4476e.pdf>, (accessed on February 28, 2012).

<sup>4</sup> Brian Bloom, MaryEllen C. Nobe, and Michael D. Nobe, Valuing Green Home Designs: A Study of Energy Star Homes, Journal of Sustainable Real Estate, JOSRE, Vol. 3 No. 1 (2011). available at [http://www.costar.com/uploadedFiles/JOSRE/JournalPdfs/06.109\\_126.pdf](http://www.costar.com/uploadedFiles/JOSRE/JournalPdfs/06.109_126.pdf), (accessed on February 28, 2012).

<sup>5</sup> Neven and Watson, Evidence of Rational Market Valuations for Home Energy Efficiency, The Appraisal Journal, October 1998, available at [http://pacenow.org/documents/EnergyEfficiency%282%29\\_appraisal%20J.PDF](http://pacenow.org/documents/EnergyEfficiency%282%29_appraisal%20J.PDF), (accessed on February 28, 2012).

**PACE programs can be structured to address FHFA's concerns and FHFA can take action to ensure the soundness of PACE**

Robust underwriting guidelines for PACE programs are currently included in the bi-partisan PACE Assessment Protection Act (H.R. 2599). The guidelines were designed with the objective of minimizing risks to lenders and consumers and include measures such as ensuring minimum equity in the home, capping PACE liens at 10 percent of the total home cost, and ensuring a savings-to-investment ratio greater than one. Rather than cite the lack of national standards as a reason to oppose PACE, the FHFA should play a key role in ensuring the safety and soundness of PACE financing by adopting these underwriting guidelines as program requirements in order for mortgages on properties with PACE-financed improvements to be eligible for purchase by the government-sponsored enterprises.

**Policy Recommendation**

We see PACE as a key to our economic recovery and energy independence. Because of PACE's uniquely positive role in creating jobs, spurring local economic development, giving property owners and our communities more control over their energy costs, and protecting our public health and environment, the FHFA should take action immediately to reverse the July 2010 directive blocking PACE and allow these programs to proceed.

Signed,

Sarah Mullkoff  
Midwest Energy and Climate Policy Coordinator  
National Wildlife Federation