



March 26, 2012
CCS 12-04

Mr. Alfred Pollard
General Counsel
Attention: Comments / RIN 2590-AA53
Federal Housing Finance Agency
Eighth Floor
400 7th St., S.W.
Washington, DC 20024

RE: **RIN 2590-AA53**: Mortgage Assets Affected by PACE Programs (“Advance Notice of Proposed Rulemaking”)

Dear Mr. Pollard,

On behalf of the Sacramento Municipal Utility District (SMUD), I write to express our utility’s comments in response to the Federal Housing Finance Agency’s (FHFA) Advance Notice of Proposed Rulemaking regarding mortgage assets affected by Property Assessed Clean Energy (PACE) programs.

SMUD is the sixth largest publicly-owned utility in the United States, serving the electricity needs of approximately 1.4 million people in Sacramento, California.

The local establishment of residential PACE programs within SMUD’s service territory of Sacramento County and portions of Placer County could significantly contribute to SMUD’s overall energy efficiency and renewable generation goals. Specifically, PACE offers our customers a financing option that could generate a growing market for more comprehensive energy efficiency bundled with photovoltaic, distributed generation. Depending on the loan terms, PACE could make comprehensive home performance improvement measures more affordable for our low-to-moderate income customers that would otherwise have faced higher financial barriers.

SMUD believes that PACE financing will incent more homeowners to invest in substantial energy-saving work on their homes as well as help establish a vital home performance contracting industry. Our experience with this industry indicates that they use advanced building analysis methods to produce home improvements ranked by cost-effectiveness that achieves a minimum of 20% savings in existing homes while ensuring that the property owner’s investment achieves maximum savings. PACE financing will also pave the way for more extensive energy improvement projects beyond the single-family housing market to include the multifamily sector.





Residential PACE programs benefit consumers financially. Within rough parameters, the energy savings possible from a given level of investment come in two forms: those attributable to the envelope and mechanical installations of the home, and those based on behaviors of the occupants. A PACE program allows for customer education and energy literacy improvements as part of the overall program. Savings resulting from a given level of investment depend on a complicated set of variables, including energy usage prior to investment, the baseline condition of the home, and the long-term escalation in the cost of grid electricity. High-usage customers would be able to considerably reduce energy usage, potentially by 30% with the PACE loan, earning significant savings over the life of the investment.

The added benefits of a liquid, efficient market for PACE-secured loans is probably obvious to FHFA. PACE loans would be able to be pooled and securitized.

We note the availability of PACE financing has many consumer protection safeguards to ensure an individual's debt burden is not excessive. There are numerous eligibility requirements built into the loan process. Once applicants have been screened for general creditworthiness, they must have enough equity in their homes to qualify.

SMUD understands that the "private loan to value ratio" must be 80% or less based on (i) private property debt including mortgages and (ii) the assessed value of the property and/or the average market value of comparable properties. If the private loan to value ratio is only met with respect to the assessed value or the average market value of comparable properties, but not both, the local PACE administrator may request additional information before ruling on the application. If the title search does not provide adequate information to calculate the private loan to value ratio, the property owner will also be asked to provide a current mortgage statement reflecting the outstanding balance and any payment delinquencies.

We urge FHFA in this rulemaking to permit resumption of residential PACE programs where authorized by state law including California. SMUD appreciates the opportunity to provide our response to this Advanced Notice of Proposed Rulemaking.

Sincerely,

A handwritten signature in blue ink, appearing to read "EBrinton", is written over a light blue horizontal line.

Elisabeth Brinton
Chief Customer Officer