From: Shad Williams <Shad.Williams@ATT.net>
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To: !FHFA REG-COMMENTS
Subject: RIN 2590-AA53

Mr. Pollard –

Aside from major policy recommendations made by the Vice President's Council on Environmental Quality and numerous policy papers that greatly outweigh evidence contrary the suspension of residential PACE caused by FHFA objections, I am in general agreement with PACE Now sentiments as follows:

1. PACE residential programs should be allowed to proceed. Fannie Mae, Freddie Mac, and other entities regulated by FHFA should be required to establish underwriting standards and purchase mortgages with PACE assessments from programs that conform to the standards and guidelines established in HR 2599 (The PACE Assessment Protection Act) to protect the interests of local governments, homeowners, mortgage lenders and Government Sponsored Enterprises (GSEs).

1 – Rationale for PACE

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

* Upfront Cost: PACE provides attractive long-term financing that makes projects cost effective much sooner, and
* 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.

PACE also helps achieve state and local government energy policy goals that may include:

* Job creation and economic development without federal, state, or local government taxes and subsidies
* Energy independence from foreign sources
* Energy security for states by limiting reliance on inter-state energy transfers and strain on distribution systems
* Avoided costs of building new power plants
* Lower demand on the energy grid
* Environmental protection from reduced burning of fossil fuels

2 – PACE Assessments are Valid

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 hasnot 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, or 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.
* ?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 EnergyStar ratings showed purchase prices to be nearly $9.00 higher per square foot for energy efficient homes. These recent studies confirm the work of an earlier study published in The Appraisal Journal 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.
* Cost Effective: Projects must pay for themselves by having a savings-to-investment ratio greater than one (SIR > 1).
* Quality Work: A required energy audit and any work performed must be done by an accredited, qualified contractor.

* ?The 15% equity test will exclude the very households who can least afford to take advantage of the value of PACE as herein described by PACE NOW. The equity test should be no higher than 5% and allow federal programs to participate with potential home buyers in the same manner they do now through HUD and other federal agencies programs that reduce acquisition and downpayment expenses.

* ?That PACE-financed projects cannot exceed 10% of home value defeat the purpose of PACE programs and take place in a vacuum without reference to the financed measures impact on reducing waste and saving the consumer money.

* ?PACE financing must not be made available only to homeowners who have a solid history of on-time mortgage and tax payments and no recent bankruptcies. This acutally sounds like something the FHFA would propose. The very people who could undertake PACE and therefore reduce the risk to the mortgage are being asked to continue to waste resources and remain high risk without an opportunity to allow their income to be more productive.

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.

Regards,

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