



SARASOTA COUNTY

"Dedicated to Quality Service"

March 26, 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

Dear Mr. Pollard:

The Sarasota County Commission appreciates the opportunity to provide comments to the Federal Housing Finance Agency (FHFA) on the Advance Notice of Proposed Rulemaking concerning mortgage assets affected by Property Assessed Clean Energy (PACE) programs.

The Sarasota County Commission believes that PACE programs represent an opportunity to pursue our community's energy efficiency and sustainability goals. In 2010, our community was prepared to establish a PACE program when the Federal Housing Finance Agency, the Federal Loan Mortgage Corporation (Freddie Mac) and the Federal National Housing Association (Fannie Mae) prohibited homeowners with mortgages from participating in voluntary PACE programs.

Local governments persistently seek to minimize risk to our taxpayers. We do not concur with FHFA belief that PACE presents "significant safety and soundness" concerns. There is long-standing evidence, supported by research, that energy efficiency and renewable energy improvements reduce homeowners' energy bills and increase property value, strengthening their financial position and increasing the value of a lender's collateral. These factors minimize, if not eliminate, the safety and soundness risk that the FHFA has asserted. In addition, we believe the standards and best practices called for in the U.S. Department of Energy's "Guidelines for Pilot PACE Financing Programs" are sufficient to minimize any potential risk posed to both the public and private investments in a PACE home. The Guidelines establish clear consumer protection and underwriting standards to protect homeowners and lenders, and we urge the FHFA to establish underwriting standards consistent with these Guidelines.

We also do not concur with FHFA position that PACE assessments are "loans." PACE programs are property tax special assessments. Such special assessment districts are typically created by local governments to finance public improvements such as sewer systems, sidewalks, lighting, parks, natural areas land acquisitions, and business improvements on the behalf of property owners. When applied in this manner, assessments allow property owners to act voluntarily and individually to adopt municipally financed improvements to their property that are repaid over time. PACE districts operate similarly in both the size of their assessments and length of their repayment period.

Locally-administered PACE programs fall under the traditional authority of local governments to utilize the tax code for public benefit. We urge you to respect this authority, recognizing that the FHFA has no statutory authority to decide whether local government assessments are valid or not. PACE programs operate in accordance with state law; twenty eight states, including our State of Florida, plus the District of Columbia, have passed laws enabling local governments to develop such programs. In 2010, the

Mr. Alfred Pollard
March 26, 2012
Page two

Florida Legislature found that there is a compelling state interest in enabling property owners to voluntarily finance energy conservation improvements with local government assistance. Section 163.08(2)(b), Florida Statutes gives local government the right to create PACE benefit districts to finance energy efficiency projects that serve a public purpose and to enter into financing agreements with private property owners to fund qualifying improvements with repayment through non-ad valorem property assessments. Florida courts have upheld the validity of PACE assessments districts, <http://www.floridapace.gov/about/judgment>

Sarasota County, like other local governments, faces the challenge of this economy and its impact our goal of facilitating "People, Place and Prosperity." Energy efficiency innovations can be inaccessible to many citizens without municipally supported tools. PACE is one such tool. It provides local government another option to traditional mechanisms for local finance and revenue, such as sales taxes, property taxes and bond financing, which remain difficult to access and have declined substantially. In addition, PACE programs have enormous potential to strengthen our economy by saving homeowners money, reducing energy use, creating local jobs, enhance the value of participating homes and helping homeowners remain in their houses by reducing their utility bills while providing a hedge against rising energy costs in the future. PACE programs create the opportunity for energy efficiency and solar technologies and installations that require high quality, skilled jobs which cannot be exported.

FHFA's previous ruling has directly affected our community, stalling local implementation of PACE that could benefit local businesses and our homeowners. We urge FHFA to withdraw its July 6, 2010 Statement and February 28, 2011 Directive and allow the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), to purchase mortgage loans secured by properties with outstanding first-lien PACE and PACE-like obligations or by properties that could become subject to first-lien PACE obligations. Furthermore, we urge that these properties be secured on terms and conditions consistent with those applicable to mortgages secured by properties with no PACE assessments.

Finally, in response to the Advanced Notice of Proposed Rulemaking, Mortgage Assets Affected by PACE Programs, we ask FHFA to not adopt its "Proposed Action" to continue to "direct the Enterprises not to purchase any mortgage that is subject to a first-lien PACE obligation or that could become subject to first-lien PACE obligations" in communities with PACE programs. We believe FHFA should adopt the "No Action Alternative" that would allow PACE programs to proceed, and "allow the Enterprises to purchase mortgage loans secured by properties with outstanding first-lien PACE and PACE-like obligations" for all the reasons we have included in our comments. We further recommend that FHFA should work in good faith with federal agencies, states, and communities to address any outstanding implementation concerns.

We urge FHFA to reassess the value of PACE based on its broad support across the nation and work in a cooperative fashion with state and local governments to help homeowners' access energy efficiency and renewable energy investments.

Sincerely,



Randall H. Reid
County Administrator

RHR/am/der

c: Sarasota County Commission