

**DRAFT**

July 21, 2010

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Senator Christopher J. Dodd, Chair
U.S. Senate Committee on Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

Subject: Federal Housing Finance Agency Statement (FHFA) on Property Assessed Clean Energy (PACE) loan programs

Dear Senator Dodd:

I am writing to urge you to take action and pass legislation that will void the recent FHFA statement about PACE programs. This statement undermines one of the most promising tools available to local governments to bring energy efficiency and clean energy to scale in their communities. In the Metropolitan Washington region several PACE projects are underway and could be severely undermined without prompt congressional support to reverse the FHFA position.

The Climate, Energy and Environment Policy Committee (CEEPC) of the Metropolitan Washington Council of Governments (COG) strongly supports PACE programs as an innovative measure to assist homeowners with reducing their energy use and increase clean energy generation by borrowing money to retrofit their homes with repayment through the property tax bill. PACE programs offers homeowners a unique opportunity to obtain cost-effective financing for home improvements that will result in lower energy bills. This program directly benefits the economy by creating new opportunities for local businesses and workforce. In addition, PACE programs offer unique attributes that can't be equaled by other financing programs, such as longer payback time and transferability of the loan obligation to the next property owner in case of sale.

The FHFA argues that the seniority of the PACE lien over the mortgage, an attribute of its tax assessment status, generates risks for the mortgage industry in case of foreclosure. We believe this exaggerates the risk for the following reasons:

- Property tax assessments are commonly and effectively used by local governments to finance other infrastructure improvements (e.g. sidewalks);
- PACE programs are designed to generate a positive cash flow for the home owner, with cost savings bigger than the PACE repayment. PACE beneficiaries may thus present a lower risk of falling behind their loan obligations than other property owners.

The additional conditions required by the FHFA of PACE borrowers are disproportionate to the risk incurred by the mortgage industry and will effectively prohibit PACE programs from being enacted.

We ask that you pass legislation to reverse the FHFA position. We need legislation that strengthens the priority role of Property Assessed Clean Energy (PACE) loan payments along with property taxes in the case of foreclosures. Action on this is needed to guarantee that homeowners will have a financing option that will save them energy, lower their energy costs, and create jobs in the weatherization, retrofit and clean energy sectors.

We support a federal legislative initiative to protect PACE loans. Please let me know if COG's Climate Energy Environment Policy Committee members can assist in this endeavor.

Sincerely yours,

Jay Fiset, Chair
COG Climate, Energy and Environment Policy Committee

Copy:

Representative Henry A. Waxman, Chair, U.S. House of Representatives Energy and Commerce Committee;

Representative Barney Frank, Chair, U.S. House Committee on Financial Services;

National Capital Region Congressional Delegation:

Sen. Benjamin L. Cardin

Sen. Barbara A. Mikulski

Sen. Mark R. Warner

Sen. Jim Webb

Rep. Eleanor Holmes Norton

Rep. Roscoe Bartlett

Rep. Steny H. Hoyer

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Rep. Donna F. Edwards

Rep. Gerard E. Connolly

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Rep. Frank R. Wolf