

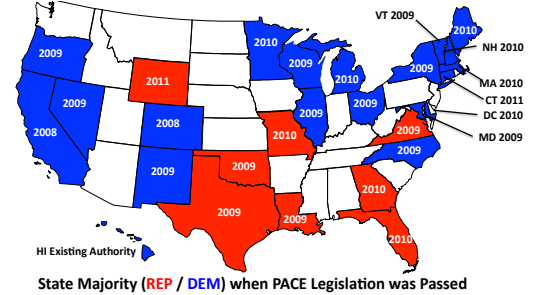
# PACE - Property Assessed Clean Energy

Federal regulators have blocked our nation's PACE programs in 27 states

Please support HR Bill 2599

**PACE** is a new way to finance energy efficiency upgrades for homes and buildings that is based on our nation's assessment district laws. In total, **27 states** and Washington D.C. have passed bipartisan PACE enabling legislation.

**Rep Nan Hayworth (R-NY)** "PACE programs allow homeowners to make energy-saving modifications on their houses through a voluntary assessment on their property, at no cost to local taxpayers. Our bill facilitates participation by homeowners in states with PACE programs, which will promote conservation, energy savings and job creation."



**Rep Mike Thompson (D-NY)** "PACE promotes energy efficiency in ways that are good for our country, economy, and environment, saving property owners money by lowering energy costs and more importantly, creating jobs without taxes or government subsidies. Congresswoman Hayworth, Congressman Lungren, and I are committed to protecting PACE for the future."

**Rep Dan Lungren (R-CA)** "My colleagues and I are fighting for a common sense program that would both increase the value of homes involved and help create jobs in our region. The time is now, more than ever to pass legislation that will accomplish this goal."

## Rapid development of PACE was based on the following factors:

- **Permanent Jobs Nationwide:** across a range of skills
- **Economic Growth with no Federal Spending:** making 1% of our nation's homes more efficient creates over 225,000 jobs and \$46 billion in economic output
- **Budget Enhancing:** PACE generates federal, state, and local taxes without an impact on municipal credit
- **No Taxes or Federal subsidies:** PACE programs stand on their own
- **Private Capital:** funding from the broad capital markets, not taxpayers
- **Voluntary:** not another government mandate
- **Reduced GSE Losses:** PACE reduces losses and encourages private market solutions for our mortgage industry
- **Lower Default Rates:** PACE programs reduce mortgage default rates
- **Lender Protections:**
  1. Immediate cash savings help homeowners pay mortgages
  2. Cutting energy use is a permanent hedge against rising fuel costs and price shocks
  3. Non-acceleration limits lender exposure only to payments in arrears, not the entire assessment balance
  4. Efficient homes are worth more, so lender collateral is enhanced
- **Cut Foreign Oil:** energy security without taxes or regulation
- **Avoided Costs:** reduces need for power plants and transmission systems
- **Local Focus:** community based programs are much more effective than federal or state

## 2010 - Federal Regulatory Overreach Stops PACE

In July, 2010, the Federal Housing Finance Agency (FHFA) halted PACE Programs, claiming PACE is:

- **Invalid:** Ignoring the laws of 27 states/100+ years of precedent, the FHFA asserts that PACE assessments are invalid
- **Bad for Lenders:** without analyzing any data or modeling risk<sup>(1)</sup>, the FHFA says PACE Programs pose a safety and soundness concern for the mortgage industry

## The Facts: PACE Reduces Mortgage Defaults

Actual Program results<sup>(2)</sup> show PACE is good for home owners and mortgage lenders.

- **1/10<sup>th</sup> of 1% Default Rate vs. 3.2% Countywide:** Homes without PACE retrofits have default rates that are 30 times higher than homes that have used PACE<sup>(2)</sup>
- **GSE Loss Reduction:** Early PACE results show very low defaults (0.1%). Reducing default rates from 3.2% to 2.0% would reduce GSE losses by \$1,400 **per home**<sup>(3)</sup>

## The Facts: PACE Senior Lien Exposure is Immaterial < \$3 per home

Actual results show PACE senior lien exposure of \$3 for an average home

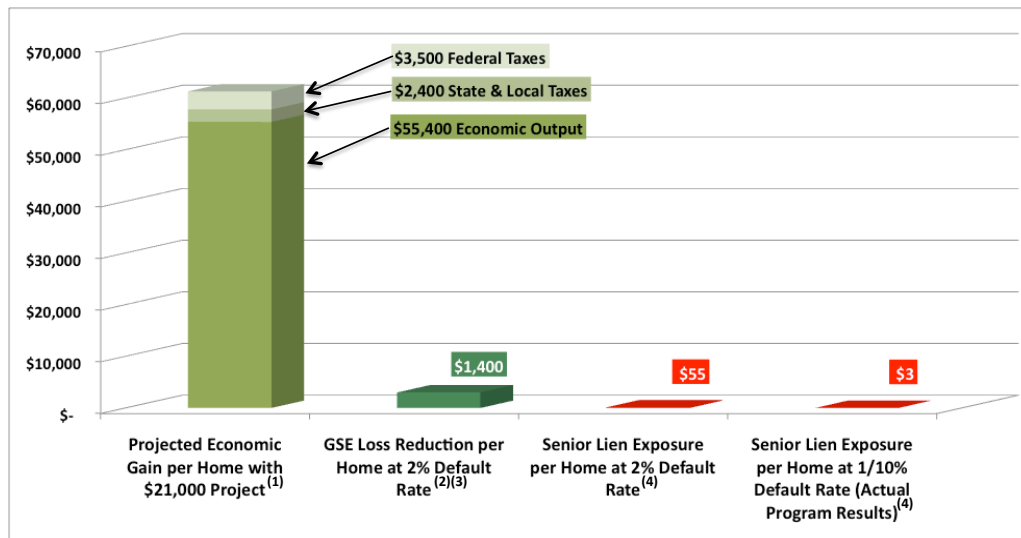
- \$3 per PACE home using mortgage default averages from the existing PACE programs
- Only past due assessments (1-2 years worth) are senior - future PACE payments are assumed by the new buyer

# PACE - Property Assessed Clean Energy

## The Facts: Enormous Potential Economic Gains > \$60,000 per home

- A new economic study shows that economic gains dwarf senior lien exposure. Every \$21,000 in spending creates \$61,000 in gains, nationwide, including \$6,000 in federal, state, and local taxes. <sup>(4)</sup>

### Per Home PACE Gains to Economy and GSEs Dwarf De Minimis Senior Lien Exposure



Source: (1) ECONorthwest study "Economic Impact Analysis of Property Assessed Clean Energy (PACE)", April, 2011  
(2) CoreLogic, Amherst Securities Group LP report "Amherst Non-Agency Mortgage Market Monitor", June, 2011  
(3) Assumes prime agency loans, \$240,000 average mortgage size, 50% average severity in default  
(4) Program Administrators – existing Program data shows defaults are currently less than 1%

## Legislation Needed to Restore PACE for Homes

Proposed Legislation will allow PACE residential programs to fulfill their promise.

- The FHFA, OCC, Fannie Mae and Freddie Mac would be required to:
  - Adopt underwriting standards for mortgages with PACE assessments
  - Rescind earlier statements that halted PACE programs
  - Not penalize communities with PACE programs
- PACE programs will operate safely with mandated underwriting standards:
  - Homes must have at least 15% positive equity
  - Projects can be no more than 10% of a home's value
  - Only homeowners who pay their taxes on time qualify
  - An energy audit by a qualified professional must demonstrate projects produce savings

## How PACE Works

- Ben Franklin said to have created the first assessment district in 1736 for Philadelphia
- PACE districts rest on centuries of precedent, our nation currently has 37,000+ assessment districts
- PACE is the only type of assessment district that increases a homeowner's cash flow...
- PACE district program steps match those for parks, sidewalks, water systems, and earthquake strengthening:
  - State legislature** defines public purpose and passes enabling law for PACE
  - Local government** passes ordinance establishing benefit district and program guidelines
  - Property owners** who can benefit complete projects with private sector funding arranged by the program
  - Assessment** on annual property tax bill repays project cost

## Why PACE Works

PACE programs overcome three key barriers to implementing energy efficiency:

- Term Financing:** Large up-front payments are eliminated – owners pay PACE assessments over the life of the improvements
- Immediate Cash Savings:** Energy savings are greater than assessment payments = improved property owner cash flow & more money for mortgage payments
- Cost Transfer:** Assessments transfer to a new owner (who continues to benefit) on sale of the property

### Footnotes:

- [Letter from FHFA General Counsel Alfred Pollard](#) (to Members of Congress Hayworth, Lungren, and Thompson, 6-10-11 [responding to their 4-20-11 letter](#)).
- Performance data supplied by PACE Program Administrators and PACENow calculations based on data supplied by PACE Program Administrators
- Assumes prime agency loans, average mortgage size \$240,000, average severity in default 50%, Source: Core Logic, Amherst Securities
- ["Economic Impact Analysis of Property Assessed Clean Energy \(PACE\)." ECONorthwest study for PACENow, April 2011.](#)