

Town of Babylon

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RICH SCHAFFER
SUPERVISOR

February 28, 2012

Mr. Edward DeMarco
Acting Director
Federal Housing Finance Agency
400 7th St, NW
Washington, DC 20024
Re: Attention: Comments/RIN 2590-AA53

Dear Acting Director DeMarco:

Back on July 17, 2009, my predecessor as supervisor, Steve Bellone, who is now the Suffolk County Executive, wrote the following to your predecessor, James Lockhart:

"If you revisit and reevaluate the potential of ELTAPs (PACE obligations), we believe you'll find they will enhance the value of participating homes and, in fact, reinforce, rather than "impair", the first mortgages. In reality, these programs will help homeowners stay in their houses by reducing their utility bills while providing a hedge against rising energy costs in the future. Consider that if 5% of houses whose mortgages are guaranteed by Fannie Mae and Freddie Mac were retrofitted through Green Homes programs, the dollar amount would add up, approximately, to an infinitesimal 0.3% of the total guaranteed by Fannie and Freddie. Know that we certainly appreciate your concerns and the importance of administering these programs responsibly, deferring to "prudent underwriting standards", and adhering to prevailing interest rates or better."

Director Lockhart did not respond. Nor did FHFA general counsel the following year when our town energy director sought clarification about program status. Given that Long Island Green Homes is the longest running municipally-administered residential retrofit program, FHFA would glean performance data they ostensibly seek. Note that the average retrofit is less than \$10,000, affording a payback in 8.7 years based upon a savings-to-investment ratio of 1.8 (attached find results and performance metrics through mid February).

FHFA has, in its 1/26/12 request for comment, sought very exacting data on the operational soundness of PACE programs. Credible results can only be forthcoming from a wide, representative sample of programs that are all actually operating within a set of uniform parameters. That objective will require collaboration between selected municipalities. In preparing the framework, first consider the following axioms based upon our operational experience:

- *In our municipality, we are concerned about the "safety & soundness" of our building stock.*
- *FHFA should consider that mortgages on unsound structures are at far greater risk.*
- *The quality of a property is vital to its liquidity.*
- *PACE retrofits enhance the "safety & soundness" of the mortgage.*

FHFA has postulated, absent substantiation, that PACE programs pose a financial risk to the "safety and soundness" of its mortgage products. "What, if any, objective evidence exists," FHFA asks, to support the efficacy of PACE programs. FHFA has pointed out that over two dozen states have passed PACE enabling legislation. No note was taken, however, that but a handful of PACE programs have gone operational. This consequence is due primarily to various statements issued by Fannie Mae and Freddie Mac in May of 2010 followed by warnings issued by FHFA and OCC on July 6, 2010. Therein lies the Catch-22; FHFA requires a caliber of credible data that can only be forthcoming from clinical trials which it has, effectively, prohibited.

The Department of Energy issued **Guidelines for Pilot PACE Financing Programs** on May 7, 2010 that, "are significantly more rigorous than the underwriting standards currently applied to land-secured financing districts." Assistant Secretary Cathy Zoi formally suggested to FHFA Acting Director Edward DeMarco in a letter dated May 24, 2010, that, "It would be helpful if you would articulate as soon as practicable guidelines and parameters that experimental pilot PACE financing programs should follow so that their operations can proceed without encountering adverse actions by the Government Sponsored Entities (GSEs) under conservatorship." Five weeks later FHFA responded with its July 6 statement.

Given that FHFA is now, ostensibly, seeking in-depth data and analysis, there would appear to be common ground to work together on. As the couple of on-going PACE programs would hardly satisfy the exacting metrics FHFA requests, perhaps the Agency would agree to green-light pilots around the country. As FHFA's proposed evaluations would add prohibitive program costs to four-figure and small five-figure retrofits, the agency might seriously consider assuming the expense out of its formidable resources. Moreover, with FHFA directly engaged in evaluations, confidence in the results would be assured.

Sincerely,



Richard Schaffer
SUPERVISOR

Cc: Suffolk County Executive Steven Bellone
Babylon Town Board



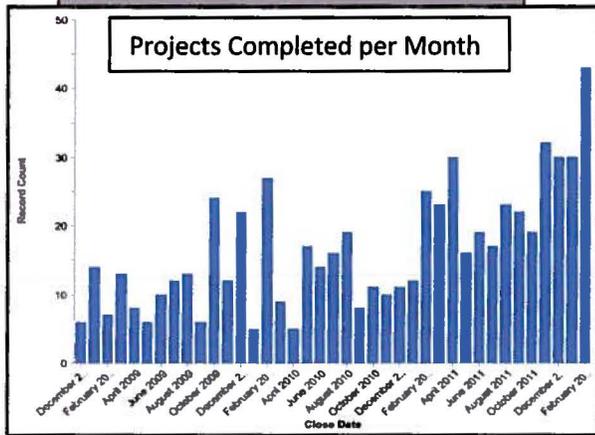
Richard Schaffer, Supervisor

3/1/2012 Program Update

Jobs Completed:	652
Audits Completed:	1,321
Jobs in Progress:	665

CO2 Emissions Savings Summary

Total CO2 Emissions Saved Annually (lbs):	6,143,674
Total Solid Carbon Saved (lbs):	1,720,229
Total CO2 Emissions Saved Annually (tons):	3,072



Energy Savings Summary

Total Electricity Saved Annually (kWh):	340,579
Total Oil Saved Annually (Gal):	222,365
Total Natural Gas Saved Annually (CCF):	68,468
Total Propane Saved Annually (Gal):	5,340

Costs and Savings

Total Cost of Completed Jobs:	\$6,394,399
Average Cost of Completed Jobs:	\$9,807
Average Annual Savings per Job:	\$1,149
Average Payback Period (years):	8.72
Average SIR (Savings to Investment Ratio):	1.79
Average HVAC Cost:	\$2,422
Average DHW Cost:	\$859
Average Basement Insulation Cost:	\$1,096
Average Attic Insulation & Airsealing Cost:	\$3,550
Average Wall Insulation Cost:	\$1,203
Average Lighting Cost:	\$44
Average Window Cost:	\$85
Average Miscellaneous Cost:	\$502
Average Comfort & Safety Cost:	\$24