EL-2/ERE-4 ***Resolution Supporting Property Assessed Clean Energy Programs and Amendment of Federal Housing Finance Agency Guidelines Inhibiting States' Pursuit Thereof***

WHEREAS, Energy efficiency and clean, distributed generation play a key role in reducing the need for fossil fuels, promoting energy security, and stimulating economic growth through energy cost savings and job creation; *and*

WHEREAS, Energy efficiency and clean, distributed generation promote public and environmental health by avoiding the adverse health effects and environmental impacts resulting from the combustion of fossil fuels; *and*

WHEREAS, Energy efficiency is recognized as the most cost-effective approach to mitigating greenhouse gas emissions and addressing global climate change; *and*

WHEREAS, The residential sector accounts for over twenty percent of total U.S. energy consumption and greenhouse gas emissions;[3] *and*

WHEREAS, Widespread deployment of energy efficiency measures, and clean, distributed generation, particularly in the residential sector, face a number of barriers including limited access to financing to cover upfront costs of energy efficiency improvements and/or clean, distributed generation technologies, and housing markets that may not fully or accurately capitalize the value of energy efficiency measures and clean, distributed generation into property values; *and*

WHEREAS, Property Assessed Clean Energy (PACE) programs, which allow local governments to leverage their bonding and property taxing authority to finance the installation of energy efficiency measures and clean, distributed generation on homes, represent a key policy innovation to support the deployment of these technologies in the residential sector; *and*

WHEREAS, The importance of PACE programs to profoundly influence and broaden adoption of energy efficiency and clean, distributed generation in the residential sector has been recognized by the Obama Administration, as well as over 20 State governments which have adopted PACE-enabling legislation and/or policies[4]; *and*

WHEREAS, The determination by the Federal Housing Finance Agency (FHFA), in the wake of the financial crisis, that PACE property tax liens present "significant safety and soundness concerns"[5] to home mortgages, and the FHFA's subsequent guidance to Fannie Mae and Freddie Mac to not underwrite mortgages for properties with a PACE assessment; and furthermore, to apply more stringent mortgage underwriting standards for all borrowers in localities offering

---

[3] EIA; see http://www.eia.doe.gov/oiaf/1605/ggrpt/carbon.html and http://www.eia.doe.gov/aer/pdf/pages/sec2_6.pdf

[4] Database of State Incentives for Renewables and Efficiency; see http://dsireusa.org/summarymaps/index.cfm?ee=1&RE=1

[5] http://www.fhfa.gov/webfiles/15884/PACESTMT7610.pdf

PACE programs, has had a deleterious impact on the ability of PACE programs to move forward nationally; *and*

WHEREAS, Nothing contained in this resolution is intended to increase the scope of a State's PACE program; *now, therefore be it*

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners, convened at its 2011 Winter Committee Meetings in Washington, D.C., supports the efforts of States and local government to implement PACE programs as a critical tool to address a number of the cost and financing barriers that currently challenge widespread deployment of energy efficiency measures in the residential sector; *and it be further*

RESOLVED, That NARUC urges the FHFA to reevaluate its policies and guidance to Fannie Mae and Freddie Mac regarding PACE financing, by giving appropriate consideration to the reductions in energy costs that energy efficiency measures deployed under PACE programs provide homeowners, and the extent to which these financial benefits reduce, rather than increase, mortgage default risk; *and it be further*

RESOLVED, That NARUC urges the FHFA to rescind or substantially amend those policies and guidelines that substantially impede the viability of PACE programs including, but not necessarily limited to, the application of more stringent mortgage underwriting standards for homes with PACE financing and for borrowers generally in localities where PACE is available.

Sponsored by the Committees on Electricity and Energy Resources and the Environment
Adopted by the NARUC Board of Directors February 16, 2011