June 29, 2010

Mr. Edward DeMarco  
Acting Director  
Federal Housing Finance Agency  
1700 G Street, NW  
Washington, DC 20552-0003  

Dear Mr. DeMarco:

I am writing to express my strong support for Property Assessed Clean Energy (PACE) programs.

As a state that is highly dependent on imported foreign oil, Hawaii is focused on reducing its dependence on fossil fuel and transforming its energy system into one that incorporates many of the State’s natural resources for energy production. Solar energy for water heating and electricity generation provide an excellent resource for Hawaii’s property owners. Unfortunately, the high “first cost” for solar installations can be prohibitive for many residents.

PACE provides an attractive financing alternative for Hawaii property owners, especially those that have the asset but not the cash, as is the case with many in Hawaii. By following the first principle contained in the October 2009 White House Policy Framework for PACE Financing Programs, to maintain a savings-to-investment ratio greater than one, homeowners will gain access to financing capital and cash-flow relief, while reducing risk to the lender. Because Hawaii residents pay almost four times the national average for electricity, this relief can be significant.

Hawaii residents pay approximately $0.28 per kWh on Oahu and as much as $0.40 per kWh on other islands. The high cost and volatility of energy is a more significant threat to mortgage-holders for Hawaii homes than a PACE program will be. Home owners will increase the value of their homes as well as reduce their monthly energy bills by more than 30% by installing solar hot water heating. The improved cash flow from reduced utility bills will ensure that the home owner will pay off the PACE assessment in a timely manner. Finally, Hawaii’s high property values and relatively low property taxes contribute to making a PACE bond program even more advantageous by providing a stable and low-risk financing mechanism which pays for itself. In the case of foreclosure, PACE assessments are not accelerated, further reducing the risk to lenders.
PACE programs preserve the first lien status of mortgage loans as PACE assessments are in the nature of a public good, similar to real property tax assessments for public infrastructure. As such, I believe these assessments are not, and should not, be treated as a conventional loan with priority lien status. PACE is an important tool for moving our communities to a clean energy future, which is critically important for the United States and the State of Hawaii, and will be effective in doing so without harming lenders.

The State of Hawaii has taken steps to develop a partnership with Hawaii’s county governments to establish pilot PACE programs. We also have received support for these efforts from the U.S. Department of Energy (DOE) and the National Renewable Energy Laboratory in the form of grant funding and technical guidance. Public interest and community support for PACE have been strong.

I urge your timely and favorable support of the implementation of PACE which both supports our nation’s clean energy future and further strengthens our nation’s home mortgage market.

Very truly yours,

/s/ LINDA LINGLE

C: The Honorable Cathy Zoi, Assistant Secretary, Office of Energy Efficiency and Renewable Energy, U.S. Department of Energy