

The FHFA believes that an unintended consequence of obtaining a PACE loan is to increase the risk of mortgage default. The FHFA's logic is that if the green investments are not capitalized into home prices then the home owner's equity decreases as  $\text{equity} = \text{sales price} - \text{debt owed}$ . Under these assumptions, the green investment doesn't raise the sales price but does increase the debt owed. My recent research convinces me that this pessimism is false. Here is [My letter to the FHFA](#). Here is my July 2012 peer viewed paper on solar panel capitalization effects in San Diego and Sacramento [dastrup-zivin-costa-and-kahn](#) .

We need more regulatory scholarship focused on empirical work and hypothesis testing. I have an incentive to say this because that is what I do.