RHODE ISLAND ASSOCIATION OF REALTORS®, INC.

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February 18, 2011

Alfred M. Pollard
General Counsel
Attention: Comments/RIN 2590–AA41
Federal Housing Finance Agency
1700 G Street, NW.
Washington, DC 20552

via email: RegComments@fhfa.gov.

RE: RIN 2590–AA41 comments

Dear Mr. Pollard:

The Rhode Island Association of REALTORS, Inc. supports the above rule and applauds the Federal Housing Finance Agency for proposing it. This rule would prohibit Federal Home Loan Banks (FHLBs) and government sponsored enterprises (GSES) Fannie Mae and Freddie Mac from dealing in mortgages for properties that are encumbered by certain types of private transfer fee covenants and in certain related securities.

Some developers add a covenant to a deed that requires future owners of the property to pay a percentage of the selling price to a designated beneficiary. While the percentage fee paid is tied to the home price, it does not correlate with any tangible benefit received by the home buyer. The transfer fee rule is a covenanted mandate so it is extremely difficult to reverse the requirement once it is in place. In many cases the private transfer fee is attached to the deed for up to 99 years meaning several subsequent buyers may pay a fee where no service was rendered or benefit received.

Private transfer fees increase the cost of homeownership, do little more than generate revenue for developers or investors and provide no benefit to homebuyers. They place an inappropriate drag on the transfer of property. Moreover, there is virtually no oversight on where or how proceeds can be spent, on how long a private transfer fee may be imposed, or on how the fees should be disclosed to home buyers. Already, one company is negotiating with institutional investors to "securitize" pools of transfer fees, which will essentially create bonds that can be sold on a secondary market, based on the future cash flows.

FHFA's proposed rule appropriately recognizes that, in very limited circumstances, such fees can be permitted when paid to nonprofit organizations that are tax exempt under section 501(c)(3) or (c)(4) and provide direct benefits to the encumbered party. An exception for these organizations, where such fees are expected and familiar to many homeowner association members, can help fund capital reserves, capital improvements, upgrades and major repairs. Implementation of the rule prospectively ensures that homes already encumbered with such fees will not be adversely impacted by adhering to rules that were not in existence at the time of the original purchase.

The Rhode Island Association of REALTORS, Inc. urges FHFA to promulgate this rule as drafted. Thank you for your consideration.

Sincerely,
Rhode Island Association of REALTORS®

Stephen Antoni
President