COALITION TO PRESERVE COMMUNITY FUNDING

April 11th, 2011
Federal Housing Finance Agency
1700 G Street, N.W., Fourth Floor
Washington, D.C. 20552
Attn: Alfred M. Pollard, Esq.

Re: RIN 2590-AA41. Private Transfer Fees, Noticed of proposed rulemaking

Dear Mr. Pollard,

I am writing to you on behalf of over 150 members of the Coalition to Preserve Community Funding - a diverse coalition of builders, developers, non-profits, lenders, realtors, property owners and others allied in support of a common cause: to preserve critical funding sources that strengthen local communities across the country. In this regard, we strongly oppose the proposed rule.

Private transfer fees can help:

- Revive the economy
  - Private transfer fee funding would help project owners pay down debt, hire workers, strengthen their balance sheets and reduce their sales prices.
- Create jobs
  - Private transfer fee funding would help provide liquidity and stability for owners to hire workers.
- Fund non-profit organizations
  - An interest in virtually every transfer fee across the country is assigned to a non-profit organization
- Lower the cost of homeownership
  - Lower sales prices mean savings on closing, carrying, and interest expenses

Developers of modern master planned communities use a form of a private transfer fee called a "capital recovery fee" as a way to spread development costs, lower the sales price, and generate liquidity from the sale of the future income stream. When the future income stream is sold, it generates much-needed liquidity that can be used to pay down development loans (reducing negative equity), reduce foreclosures, fund infrastructure and reduce the sales price. Beneficiaries include:

- Buyers, who are not forced to shoulder 100% of the infrastructure costs, and who receive a lower sales price, lower transaction costs, and lower carrying costs.

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- Non-profits, because virtually every capital recovery fee covenant mandates that 5% of the gross fee is payable to a non-profit operating within the community from which the funds originated. This creates a tremendous long-term income stream, which builds stronger communities and lowers the burden on taxpayers.
- Businesses, because re-starting failed projects provides jobs for subcontractors, suppliers, car dealers, retailers and more. The construction trade is a significant portion of the small business economy.
- Communities, not only because of the charitable component, but also because of reduced defaults and foreclosures (and the devastating effect these have on the community) and jobs that are created as stalled projects are completed.
- Banks, from reduced defaults and foreclosures that result from increased developer liquidity. When developers pay down development loans it improves important ratios for the bank, and allows for immediate recovery from their ALLL (reserve) account. Numerous projects, and lenders, have been helped through this process.

Regardless of the use of the fee, what each of these fees have in common is that the only homeowner that will ever pay the fee is a homeowner who voluntarily agrees to do so. Millions of homeowners have voluntarily made the decision to buy a home with a private transfer fee, and these transactions have closed smoothly and presented no risk to lenders.

The existence of a private transfer fee is one of a myriad of factors that consumers take into account when deciding whether or not to buy a particular home. As such, they should be allowed to make their own choice, provided that doing so does not present unnecessary risks to themselves or others, including GSEs. Uniform disclosure of transfer fees helps ensure that all parties maximize the benefits of the fees.

We urge you to conclude that the existence of millions homes with private transfer fees is ample evidence that undue risk does not exist, and that the proposed rule is therefore unnecessary, and potentially disruptive.

Sincerely,

Harver Ravner
Member
The Coalition to Preserve Community Funding

For additional information, see www.CoalitiontoPreserveCommunityFunding.org