
**HILLSTAR INVESTMENTS,
LTD.**

Recent media reports show that the housing market is continuing to suffer. Unemployment in the construction industry is well over 17% in some states and even higher in others. Developers, builders and construction companies are defaulting on loans at an alarming rate due to a decrease in property values and stalled projects.

The absolute last thing that FHFA needs to do is issue a proposed guideline that will more harm to the real estate market to address perceived unfounded issues. The current economy is simply too fragile to inject a regulation that not only doesn't solve the perceived problems but in reality creates more.

Capital recovery fees are filed as separate documents, easily identifiable from the public records, and with prominent headers. The reason is obvious: a hidden fee will not get paid. So not only are these fees not hidden, they are conspicuous and are easily found and reported on a title report. If there is any question about that being effective notice, the agency can require that there be separate disclosure of these fees. This simple solution of disclosure truly addresses the concern, and which has already been done not only in California, but also, in policy guidelines of the major title companies in the country.

One constructive way to address negative equity is to spread development costs over time. A capital recovery fee accomplishes this in a fair and equitable way. When developers in our country use capital recovery fees as a means of recovering significant capital improvements, they can reduce the upfront costs to the purchaser, negative equity is eliminated, projects become viable, homeownership becomes more affordable, project liquidity can be restored, bank debt can be paid down, and jobs are created.

Transfer fees are voluntary and are easily recognizable through proper disclosure. Passing the guidance will negatively impact millions of homeowners, who will find their property ineligible for low-cost financing.

I encourage FHFA to reject the proposed guidance, or, in the alternative, to revise the guidance to limit GSE's to purchasing mortgages where a disclosure document is signed at closing. This process would ensure that homebuyers across the country are well informed of the existence of the transfer fee, but would avoid destroying the usefulness of this important solution to these challenging times facing the real estate sector today.

Sincerely,

Jaime Arechiga
