



September 15, 2010

Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
1700 G Street NW, Fourth Floor
Washington, DC 20552

ATTENTION: Public Comments "Guidance on Private Transfer Fee Covenants, (NO. 2010-N-11)"

Dear Mr. Pollard:

The Real Estate Board of New York is a trade association representing 12,000 owners, developers, managers, brokers and other real estate professionals active in New York City. We want to comment on the proposed guidance cited above.

It is our understanding that the primary purpose of the Guidance is to end the practice in which a private transfer fee covenant is attached to the conveyance of interest in real property, frequently by the owner/developer of the property, and provides for a transfer fee to be paid to an identified third party (such as the owner/developer or its trustee) upon resale. This fee is typically stated as a percentage, such as one percent of the property's sale price, and often survives for a period of ninety-nine years.

We believe the proposed Guidance, namely that Fannie Mae and Freddie Mac should not purchase or invest in any mortgages encumbered by private transfer fee agreements or securities back by such mortgages, would have an adverse impact on the New York City housing market.

Private transfer tax, or more commonly known in New York City as a "Flip Tax", has been in existence for some time and has had a positive impact on the New York City housing market. In a joint research paper prepared a few years back by New York University and Miller Samuel, a highly regarded New York appraiser of residential property, it found that almost half the co-op buildings in New York impose a Flip Tax. More importantly, the paper noted that the existence of a Flip Tax was associated with a 1.9 percent increase in value.

New York City has a diversity of owner-occupied housing types—single-family homes, cooperative and condominium apartments. Over the last ten years—as we moved from the brief recession at the beginning of the decade, through the boom period in mid-decade, and the Great Recession as the decade comes to an end—there has been a generally comparable movement in transactions and price among all these housing types. This market movement suggests that the Flip Tax which

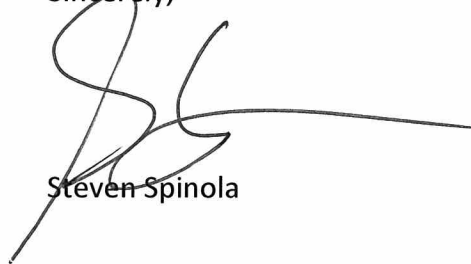
exists in a large number of coop buildings and not in single family homes had no discernible market impact.

During the mid-1980s in New York City when residential conversions occurred more often than today, the Flip Tax increased the capital reserve fund of these older residential buildings. This tax increased the reserve fund of these formerly rent regulated buildings, providing the capital for important and necessary improvements. This additional investment in our housing stock helped to stabilize and improve neighborhoods.

To conclude, the structure and purpose of the Private Transfer Tax in New York City has had a positive impact on the housing market. Prohibiting Fannie Mae or Freddie Mac from purchasing mortgages on property with a Private Transfer Tax would jeopardize the liquid and stability in the market that you are trying to protect with this Guidance.

We strongly urge you to target your Guidance to the Private Transfer Tax practice that you deem problematic and not to disrupt an efficient, stable market that has benefited from the Flip Tax.

Sincerely,

A handwritten signature in black ink, appearing to be 'S Spinola', with a long horizontal line extending to the right.

Steven Spinola