

September 27, 2010

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

Re: INQUIRY INTO PROPOSED FHFA GUIDANCE TO RESTRICT PRIVATE TRANSFER FEES

Dear Mr. Pollard,

I write to express my serious concern and opposition to the Federal Housing Finance Agency's Notice of Proposed Guidance on Private Transfer Fee Covenants published in the *Federal Register* on August 16, 2010 as currently written. If implemented in its current form, the guidance will have a significantly negative impact on all homeowners living in communities throughout California.

CSO's are independent, 501(c)(4) non-profit, public benefit corporations established to provide enrichment/recreational/volunteer programs and events to residents. Funds for these programs are collected via a community enhancement fee (CEF) which is collected via private transfer fee when a property is sold.

If adopted as written, this Guidance would (a) increase the cost of home ownership for thousands of unsuspecting homeowners; (b) deprive non-profit homeowners associations (HOAs) and 501c's of an important source of revenue used to pay for legitimate operating costs and community enhancements that directly and proportionately benefit its homeowners; and (c) halt new and existing home sales in condominiums, co-ops, and neighborhoods, that are already subject to Private Transfer Fee Covenants.

While the FHFA Guidance may have been well intended, it would have devastating unintended consequences for hundreds of thousands of people nationwide if it is not modified to permit HOA's and similar non-profit entities to use Private Transfer Fees for legitimate purposes.

Because deed restrictions and covenants constitute a binding legal agreement between two parties, they only may be voided in certain circumstances by Act of Congress or state law. FHFA's attempt to restrict the use of all private transfer fee covenants through guidance does not have the force or effect of law. As a result, the guidance will accomplish little more than to create substantial uncertainty in the community association housing market, which includes one out of every five homeowners nationwide.

I appreciate the opportunity to comment on FHFA's proposed guidance on private transfer fee covenants, and I strongly urge the FHFA to reconsider its proposal to ban loans to all covenant or deed-based transfer fees.

Sincerely,

Glenn M. Pace, Manager
Pembroke Development, LLC