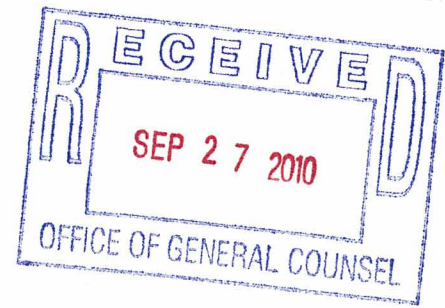


September 19, 2010



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

Re: Proposed Guidance on Private Transfer Fee Covenants, (No. 2010-N-11)

Dr. Mr. Pollard:

We are writing to express our strong 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. If implemented in its current form, the guidance will have a significantly negative impact on all homeowners on Kiawah Island, SC, since all homeowner's on the island are members of the Kiawah Island Community Association. We respectfully request that the proposed guidance either be withdrawn in its entirety or revised to ensure that the one in five American households living in a community association continue to have access to mortgage credit.

As in the case with the majority of community associations across the country, the Kiawah Island Community Association employs a covenant or deed-based transfer fee to fund critical community operations and to ensure that the association is able to sufficiently fund ongoing and unanticipated costs. The elimination of deed-based transfer fees will reduce the Kiawah Island Community Association's operating budget by tens of thousands of dollars each year. This reduction in association income means homeowners will face higher association assessments, a reduction in the services that attracted them to our community in the first place, or both. Additionally this loss of income increases the likelihood of special assessments, which often are a significant and unanticipated burden for our homeowners.

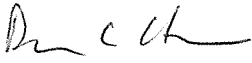
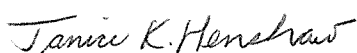
The Kiawah Island Community Association has used deed-based transfer fees to finance community operations. The experience of our association is that the fees directly benefit homeowners in our community, as they ensure maintenance of adequate reserves and provide funds for the general obligations of the association. This protects the values of homes on our island for all residents, which is a considerable additional benefit for the individuals purchasing a home on our island. This is why we are troubled by the FHFA's unsubstantiated finding that GSE purchases of or investments in "mortgages encumbered

by private transfer fee covenants ... would be unsafe and unsound practices and contrary to the public mission of the Enterprises and Banks.” Our experience on Kiawah Island is that the opposite is the case. Rather than destabilizing communities by threatening to depress home values, FHFA should support the use of covenant or deed-based transfer fees that benefit homeowners and support home values. Indeed, it is not clear that FHFA even contemplated the impact of its proposed guidance on homeowners living in associations with deed-based transfer fees.

Given the difficulty community associations across the country will face in removing deed-based restrictions or modifying community covenants, it is likely that a significant number of homeowners will no longer have access to mortgage credit if FHFA’s proposal is not withdrawn or modified. In its proposed guidance, FHFA suggests the elimination of mortgage financing for properties with a deed-based transfer fee will protect the nation’s “still fragile housing markets.” Rather than protecting housing markets, this regulatory redlining of healthy associations and creditworthy borrowers will put downward pressure on home values in these communities and cause severe financial hardship on homeowners who have done nothing wrong.

We appreciate the opportunity to comment on FHFA’s proposed guidance on private transfer fee covenants, and we strongly urge FHFA to reconsider its proposal to ban all convent or deed-based transfer fees.

Respectfully submitted,

David C. and Janice K. Henshaw  
3408 Broadfield Road  
Charlotte, NC 28226

And

4558 Park Lake Drive  
Kiawah Island, SC 29455  
Members of the Kiawah Island Community Association