

From: Frederick Peters [fpeters@warburgrealty.com]
Sent: Wednesday, September 29, 2010 11:12 AM
To: !FHFA REG-COMMENTS
Subject: Guidance on Private Transfer Fee Covenants, (No. 2010-N-11)

General Counsel Pollard

The proposed Federal Housing Finance Agency (FHFA) guidance that would prohibit Fannie Mae or Freddie Mac from buying mortgages on property that have a private transfer tax fee agreement, or a "Flip Tax" as it is known in New York, would seriously disrupt the stability and efficiency of the city's housing market.

The New York City condo and co-op housing market has operated with a flip tax for some time. In one study, it was reported that more than 50 percent of the co-ops in New York City have a flip tax. As a real estate agent operating in Manhattan, I estimate that the number in our borough is closer to 80%.

This tax has bolstered the capital reserve fund of numerous buildings thereby funding critical and necessary capital improvements. These improvements have benefited the residents of these buildings and the surrounding neighborhood. Furthermore, the prohibition on Fannie Mae and Freddie Mac purchasing applies only to loans of up to \$730,000 (as that is all they buy), which disproportionately impacts the less expensive units in our extremely expensive market. It thus would inhibit the ability to buy and sell for those in the less expensive units, who are arguably the ones who have been most hurt by the recession.

In New York these fees are going back to the property for the benefit of the building and its occupants, not to the building developer. These fees typically fund building maintenance, the repair and replacement of building systems, and additional building wide improvements that benefit the residents. FHFA is principally concerned with the private transfer fee covenant when the project developer, or their designated third party receives the proceeds, not when the fee goes to improve the operation of the building.

We urge you to drop this current proposal which would profoundly harm New York City's housing market.

Sincerely,

Frederick W. Peters