



October 4, 2010

The Honorable Alfred M. Pollard, General Counsel
Federal Housing Finance Administration
Fourth Floor, 1700 G Street, NW
Washington, DC 20552
Attention: Public Comments "Guidance on Private Transfer Fee Covenants, No.2010-N-11)

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

Dear Mr. Pollard:

As President of the Kingstowne's Homeowner's Association, I represent the approximately 18,000 people living within in the community which is located in Alexandria, Virginia. I am writing to you on their behalf to let you know of our very strong opposition to the Federal Housing Finance Agency's Notice of Proposed Guidance on Private Transfer Fee Covenants ("the Guidance") published in the Federal Register on August 16, 2010.

We believe that you are completely unaware of two very serious problems that will be created which will affect the millions of residents living within Homeowner Associations throughout the country. The reason for this letter is to share these concerns with you so that you can make appropriate changes to the Guidance.

We wholeheartedly agree that the part of the Guidance which would curtail the use of fees which go developers for no purpose other than to enrich themselves should be adopted immediately.

Although we know that the Guidance is well intentioned in regard to Developers, we also believe that you may be unaware of the kind of extremely negative impact the Guidance, as written, would have on Homeowner Associations that rely on "transfer fees" to fund the care and improvement to their facilities and grounds which are enjoyed by all their residents.

For instance the current Guidance, if adopted without changes, would ban fees many Homeowner Associations rely on to maintain things like clubhouses, swimming pools, tot lots, tennis courts, walking trails and private street paving, etc. and to build up savings for unanticipated expenses such as snow removal, increased trash hauling costs or increased petroleum which affect paving costs.

To give you a better idea of the breadth of the problem that would be created by the current Guidance, please understand that many Homeowner Associations already include a fee in their requirements at sale to help fund the ongoing obligations of the association. At a recent national conference co-hosted by Kingstowne and attended by representatives from approximately 150 large-scale communities (over 1,000 homes and over 1,000 acres), a "show of hands" indicated 75% of those in attendance currently utilize transfer fees. These one-time fees help keep homeowner assessments as low as possible and ensure the communities can maintain their legal obligation to keep common grounds and facilities in good repair. These fees also help with funding for future capital projects once homeowners have voted on what they want to see in their communities in future years. Without these transfer fees, communities will have no

alternative but to raise monthly homeowner assessments during what is still a very difficult real estate environment and a period of economic hardship to many.

We also believe that communities that utilize these fees are healthier economically as they have an additional tool to keep the community's facilities and grounds in good condition rather than just continually raising resident assessments or letting communities fall into disrepair for want of this funding. In fact, rather than banning these fees for use by Homeowner Associations, we would hope FHFA would find communities that utilize these fees to be a better investment than communities that don't.

There is a second but no less serious threat to Homeowner Associations that may be caused should the Guidance not be changed. As you know, the housing market is still weak and has not begun a sustained recovery nationwide. In addition to raising homeowner assessments to cover the lack of transfer fees, FHFA's proposal to prohibit Fannie Mae, Freddie Mac and the Federal Home Loan Banks (the GSEs) from buying or investing in mortgages on homes in community associations with deed-based transfer fees will only cause further harm not only to beleaguered owners hoping to sell but to buyers hoping to buy into such planned communities. Since the fees are embedded in the properties' deeds, it is almost impossible to remove them. Most of these communities will immediately become off-limits for the GSEs. Without access to credit, these buyers and sellers alike will suffer – not because they made a bad financial decision, but because FHFA was trying to “help”.

In fact, a survey of Community Associations Institute's (CAI) member communities suggests that up to a quarter of the more than 24 million housing units in Homeowner Associations could be blocked from mortgage financing under this rule. Those figures suggest that rather than helping, the Guidance would ensure that if transfer fees are banned, those communities whose documents mandate them will be cut off from most mortgage financing making it almost impossible for residents to sell their homes.

If FHFA wants to help homeowners, the agency should continue to focus on examining the impact of fees that are payable to third parties (like developers and builders) but to refocus with new understanding on the fees that are connected to the underlying property or Homeowners Association. Fees that are directly related to the underlying property have a more than 30-year track record of benefiting communities. We strongly urge you to support their use in the future.

On behalf of the Kingstowne community, through its Homeowner Association Board of Trustees, I respectfully request that the current Guidance be revised so that no harm will be caused to the legitimate Homeowners Associations that represent the millions of people who live within them. Please show us that your goal is to help our communities continue to operate without undue hardship which would be caused by the current Guidance.

Sincerely,



Kathleen Snyder, President
Kingstowne Residential Owners Corporation

CC: The Honorable James Webb, US Senator
The Honorable Mark Warner, US Senator
The Honorable James Moran, US Representative
The Honorable Gerald Connolly, US Representative