From: FHFAInfo
Sent: Wednesday, October 06, 2010 4:49 PM
To: Miller, Crystal
Cc: FHFAInfo
Subject: FW: Preserve the flip tax on NYC co-operative apartments to preserve financial stability & investment for NYC's middle class co-op owners

forwarding comment.

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From: Judy Close [mailto:nyssenatejc@gmail.com]
Sent: Wednesday, October 06, 2010 4:15 PM
Subject: Preserve the flip tax on NYC co-operative apartments to preserve financial stability & investment for NYC's middle class co-op owners

Hi Joe,

I saw a story about the proposed new rule in last week's Queens Chronicle and pictured was my building (!) as an example of the Queens cooperative apartments market. There was a plea for public comment to tell the FHFA by October 12 to exempt NYC co-ops, by a trio of co-op managers in Queens in a Letter to the Editor from the Mitchell Linden Civic Assoc. in Flushing and the Bay Terrace Community Alliance in Bayside. The FHFA is a federal agency that does not require any legislative action to implement change in banking regulations.

Below is cut and paste from a NYC Realty Market Blog, Brian R. James, about the proposed new rule by the FHFA that prohibits Fannie, Freddie and Federal Home Loan Banks from purchasing loans in buildings where there is a flip tax, which exists in most cooperatives in NYC and in mine in Queens, that a seller has to turn over to the cooperative (private transfer fee upon the sale of apartment). If this rule goes into effect, and the deadline for protesting same is October 12, then the cooperative housing market in NYC will be thrown into financial crisis, as will the investment shareholders have in their apartments. And, coop boards will have to make up the money lost by doing away with flip taxes, by hiking maintenance fees. Many middle class people and seniors if not all, would be greatly affected by this stupid proposed rule. Might even be forced out of their modest homeownership, because they can't afford it anymore. Is this what we need after going through a prolonged recession and a housing market that's been down and out? I sure hope this rule doesn't go into effect.

Is there anything you could look into and weigh in on, on behalf of your co-op owner-constituents in your district / in Queens (including me)? Thanks, Judy

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a.. About Brian R James

Flip Tax Flip Out!

Posted by BrianRJames on September 27th, 2010 No Comments Printer-Friendly
Last month a proposed rule by the Federal Housing Finance Agency (FHFA) that would create serious problems for the co-op and condo market. The rule would prohibit Fannie Mae, Freddie Mac and the Federal Home Loan Banks from purchasing loans in buildings where there is a Flip Tax, or private transfer fee covenant as they are called in the proposed FHFA rule.

Here is the latest:

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

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.

Keep you posted on the developments!

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