SIGNATURE HOMES

October 5, 2010

Mr. Alfred M. Pollard
General Counsel
FEDERAL HOUSING FINANCE AGENCY
1700 G Street NW, Fourth Floor
Washington, DC 20552

Attention: "Public Comments Guidance on Private Transfer Fee Covenants (No. 2010-M-11)"

Re: Public Comments Guidance on Private Transfer Fee Covenants (No. 2010-M-11)

Dear Mr. Pollard:

We, along with Westpark Associates who are submitting a separate letter, are the developers of a portion of the West Roseville Specific Plan (a project on which we worked for 16 years) located in the City of Roseville, California. This letter is in response to the Federal Housing Finance Agency ("FHFA") Guidance on the use of government backed financing of mortgages for homes where private transfer fees exist. We believe that this guidance would pose a significant obstacle to the purchase and sale of homes within communities where such private transfer fees were lawfully established, and properly noticed to buyers and lenders and where such fees are paid to non-profit organizations for the direct benefit of the community.

In February of 2004, the City of Roseville approved the West Roseville Specific Plan that allowed for the construction of approximately 8,000 dwelling units on 3,162 acres along with significant industrial, commercial and retail development. Lawsuits in both State and Federal Court were then filed by environmental interest objecting on the grounds that the project did not adequately mitigate against the impacts of converting open space to developed property.

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After years of litigation, a resolution was reached between the City, the developers and the environmentalists. The resolution required that the developers acquire additional open space land for preservation, and to advance $10,000,000.00 to be used to acquire additional Open Space. In addition, the developers were required to impose a transfer fee on their property. The fee is 0.5% of the sales price on the resale of units. All of the money went to the Placer Land Trust (a well respected 501 C.3 organization). The vast amount of the money (about 95%) was to be used by the Land Trust to acquire additional Open Space in the immediate area of the Project (a small portion of the fees was allowed to be used for administrative and oversight costs). The transfer fee has a 20 year life and it was estimated that over that period of time the Land Trust would receive approximately $50,000,000. The transfer fee is "of record", clearly identified in the Sale documents, and generally known throughout the community. To assure the Trust is operating as intended, an oversight committee consisting of the City of Roseville and representatives of the Sierra Club and the Audubon Society monitor the conduct of the Trust.

As of today, over 2,000 homes have been built and sold within the project. It is estimated that 90% of those homes have had mortgages that were sold ultimately to Fannie Mae or Freddie Mac.

If the proposed Guidance goes into effect the following results will be **inevitable**:

1. The value of the existing homes will drop dramatically as construction will halt on the balance of the project. Many of the promised amenities will not be installed and the project will take on a "ghost town" appearance.

2. The balance of the project will not be able to be built because the primary purchaser of the mortgages will not be in the market.

3. The developer and merchant homebuilders will default on the Bank loans because there is no market for the mortgages on the homes that they would build.

4. The developer and merchant home builders will not pay the existing bonded indebtedness which means that the bonds will fail.

5. Hundreds of people will lose their jobs when construction ceases and it will be hard if not impossible for them to find employment in the existing job market.

It needs to be remembered that, in this situation, the developer is not in a position to eliminate the transfer fee. The transfer fee is an obligation to the Land Trust pursuant to the litigation settlement, not to the Developer or any entity over which the Developer has control. Therefore, the Guidance, as proposed, would not give the Developer the ability to resolve the issue. If the payments were being made to the Developer, then the Developer could eliminate the issue. That is not the case here.

Whatever limited impact the transfer fee has on the liquidity of the homes within the project (to our knowledge there is no evidence of any impact on the liquidity of the homes), it will pale in comparison to the problems the proposed Guidance will have on the existing homes, the area and the hundreds of people who currently work on or as a result of the project.

In conclusion, if the transfer fee concept has been abused in other projects then Guidance directed to address the specific abuse should be considered. The fact is that the transfer fee concept has not been abused in the West Roseville Specific Plan. It was structured to provide a long-term benefit to the homebuyers within the project; it was limited in time and scope; it was fully disclosed; and the Land Trust administering the program has an Oversight Committee to assure that the intent of the program is being carried out. Regulation of this program is not only not needed; it will result in catastrophic impacts to over 2,000 homeowners and to the region.

Thank you for your consideration of the issues we have raised above and if you have any questions, please feel free to contact the undersigned at your convenience.

Sincerely,

James. C. Ghielmetti
Chief Executive Officer