

From: Louis Taormina [loutaormina@hotmail.com]
Sent: Thursday, October 07, 2010 3:03 PM
To: !FHFA REG-COMMENTS
Subject: Public Comments "Guidance on Private Transfer Fee
Covenants, (No. 2010-N-11)"

General Counsel Pollard

I am writing in strong opposition to the proposed Guidance on Private Transfer Fee Covenants, which the FHFA is considering imposing. 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 thousands of co-operatives and condos associations.

The New York City condo and co-op housing market has operated with a flip tax for over 30 years. In one study, it was reported that more than 50 percent of the co-ops in New York City have a flip tax.

In particular, the flip tax in our building is critical to amassing a reserve fund with which to make capital repairs to the building. In the past five years, we have used this fund to replace our roof at a cost of over \$250,000. Without the use of flip taxes, the assessment due to shareholders would have been enormous. These improvements have benefited not only the residents of my building but also the surrounding Carnegie Hill neighborhood.

Another major improvement that our building has undergone is a direct result of Local Law 11 which requires building owners (including condos and co-ops) to inspect and upgrade buildings. Our recent expense associated with this Law was in excess of \$250,000. Again, without the use of our reserve fund, this would have resulted in large assessments at a time when most shareholders are suffering due to the economy. Transfer fees help defray the cost of such requirements.

It is my understanding that 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.

I urge you on behalf of myself and 40 other shareholders in my building to eliminate the Guidance or revise it to permit Transfer Fees in these instances for co-ops and condos.

Sincerely,

Lou Taormina
