



The Voice of Real Estate in North Carolina

October 7, 2010

Edward J. DeMarco
Acting Director
Federal Housing Finance Agency
1700 G Street, NW
4th Floor
Washington, District of Columbia 20552

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Dear Mr. DeMarco:

I am writing on behalf of the North Carolina Association of REALTORS® to support the Federal Housing Finance Agency's (FHFA's) proposed guidance on the use of private transfer fees for the Federal Home Loan Banks (FHLBs) and the government sponsored enterprises (GSEs) Fannie Mae, Freddie Mac. The North Carolina Association of REALTORS® fully supports the FHFA guidance that states the FHLBs and the GSEs should not purchase mortgage encumbered by private transfer fees and that such purchases are not prudent or safe or sound investments.

As you know, a private transfer fee commonly occurs when a developer agrees to add a covenant to the deed of each new home, or a homeowner agrees to add a covenant to an existing home's deed, that requires future owners of the property to pay a percentage of the selling price to a designated beneficiary. While the percentage fee paid is tied to the home price, it does not correlate with any tangible benefit received by the home buyer. The transfer fee rule is a covenanted mandate so it is extremely difficult to reverse the requirement once it is in place. In many cases the fee is attached to the deed for up to 99 years meaning several subsequent buyers may pay a fee where no service was rendered or benefit received.

Private transfer fees increase the cost of homeownership, do little more than generate revenue for developers or investors and provide no benefit to homebuyers. They place an inappropriate drag on the transfer of property. Moreover, there is virtually no oversight on where or how proceeds can be spent, on how long a private transfer fee may be imposed, or on how the fees should be disclosed to home buyers. Already, one company is negotiating with institutional investors to "securitize" pools of transfer fees, which will essentially create bonds that can be sold on a secondary market, based on the future cash flows.

Additionally, private transfer fees require consumers to pay thousands of dollars to parties that hold no ownership interest in the property for the right to buy or sell real estate. Thus, sellers lose equity and earn less money on their most important investment. Due to all the problems private transfer fees create which adversely affect the real estate market, our Association pushed for and passed aggressive legislation banning private transfer fees in our 2010 Legislative Session.

The North Carolina law bans all private transfer fees and does not distinguish between the various types of private transfer fees on the market today. Our Association, the North Carolina General Assembly and other supporters of the North Carolina law firmly believe that the FHFA's guidance should also include a ban on all private transfer fees. The legality and enforceability of these covenants is questionable at best and legislation that prohibits them greatly enhances consumer protection.

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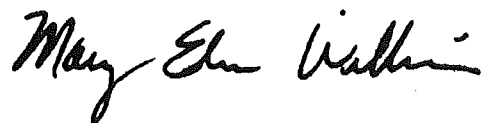
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The Federal Housing Administration (FHA) recognizes the impact of private transfer fees. The US Department of Housing and Urban Development (HUD) General Counsel has confirmed that private transfer fees clearly violate HUD's regulations which prohibit legal restrictions on conveyance and require lenders to convey clear marketable title.

Thank you for your time and consideration of this matter. If you have any questions, please contact our Director of Government Affairs, Rick Zechini at rzechini@ncrealtors.org or 919-573-0984.

Sincerely,

A handwritten signature in black ink that reads "Mary Edna Williams". The signature is written in a cursive, flowing style.

Mary Edna Williams
2010 President
North Carolina Association of REALTORS®