

From: Coop Shareholder [coopshareholder@yahoo.com]
Sent: Thursday, October 07, 2010 11:16 PM
To: !FHFA REG-COMMENTS
Subject: Guidance on Private Transfer Fee Covenants, (No. 2010-N-11)

Dear Mr. Pollard:

After reading most of the comments, these are the key points that most people debated upon flip tax, including my cooperative board:

1.. The fee is to pay for many repairs and capital improvements to the property.

2.. It has also been there for 25 years, so the Federal Housing Finance Agency should not step in to interfere.

I personally, as a shareholder in Queens NY, feel that this is a GREAT idea of Federal Housing Finance Agency to issue "Guidance on Private Transfer Fee Covenants", to the Federal National Mortgage Association, which can reduce the power of the Cooperative to collect flip tax upon each resale of the property. Many people have forgotten the original idea of having a flip tax is to avoid any individual in flipping the property to gain a profit, which can cause the property value to rise. I do not understand why it turned out to be a fund for repair or home improvements on a Cooperative.

I totally disagree and think that this is extremely unfair to any Cooperative shareholders, and the reason is listed as follows:

a.. The flip tax is \$50 per shares for my cooperative. Most of a two-bedroom is about 600 shares; therefore, it comes out to be around \$30,000 that a seller needs to pay as a flip tax at closing. Many shareholders have attempted to speak with the board to lower this fee, but the only word they say is that this fee is impose to many repairs and improvements, and that many other cooperative are collected the same way; therefore, they will not lower this fee. Please keep in mind that the flip tax was only \$15 per share when I originally bought this place in 2003, so it actually went up 300%.

b.. Since a flip tax is collected at closing, it is not fair to the seller that they CANNOT benefit from the repairs and improvements.

c.. My Cooperative board members (seven) decided all the plans of many repairs and improvements without notifying the shareholders until the decision is made. We would only get the notice when everything is finalized. Moreover, all board members have been living here for at least 10+ years. Since all the repairs or improvements come from the flip tax, which the money does not come from their own pocket, they will NEVER consider spending the money wisely. There is no way we can identify where the money is spent, because we never get any documentations in regards to the price, the amount of work needed, and the company that handles the job.

d.. Since the board has full control to the approval of the potential buyers, everyone is very AFRAID to speak up, because the shareholders do not want to go against the board members and have their potential buyers rejected as revenge, especially they never give any reasons for the rejection. That is the main reason why this fee has been there for 25 years without anyone going against it.

e.. Seller must sell the apartment at a higher price (\$30,000) more in order to cover this private transfer fee, which they may have turned down many buyers' offers.

There are several ways that we can resolve this problem.

1. I think the best way to do is the board should collect an assessment from the shareholders, only when there are repairs or improvements needed. They should notify the shareholders in advance (which we can discuss if the said repairs or improvements are necessary) that the common charge will need to increase for a certain period to cover the project. Since the money is also coming from the board members, they will use it very wisely and would try their best effort to negotiate and to minimize the cost.
2. Since each cooperative have its own percentage in flip tax, we should setup a standard amount for everyone.
3. Always use the same amount of calculation of flip tax when you originally bought the apartment.

Our building has roughly 148 units. If each unit pays \$100 per month (the assessments can be determined by the number of shares owned per apartment), we can accumulate up to \$14,800 per month. Depending how big the project would be, we can make this assessment more flexible, but at least, all shareholders who pay for this assessment can benefit, and also they do not need to pay \$30,000 (avg of a flip tax on a two bedroom) at closing. If we pay \$100 per month, it would need to take 25 years to be equivalent to \$30,000, especially we would only pay when there is a improvement project.

By putting this law into effect, sellers can lower the price, which more sales can happen. If more sales can happen, then the banks would have more mortgages, and if the banks have more mortgages, then the economy can be better and stronger. As a result, this chain effect is what we would want to happen.

I am speaking out for many shareholders of my building, and I am sure there are many out there that have the same feelings as we do.

Hope this act can be approved.

Very truly yours,

Cooperative shareholders