

Alderbrook Condominium Association Inc.

The Clubhouse
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MEMO

DATE : October 12, 2010

TO : Federal Housing Finance Agency

FROM : Board of Trustees, Alderbrook Condominium Association
Little Silver, NJ 07739

SUBJECT : Guidance on Private Transfer Fee Covenants (No. 2010-N-11)

Dear Sir/Madam:

We have read in our local paper that you are proposing to prohibit Federal Home Loan Banks from investing in mortgages with private sale transfer fees on the basis that “even if dedicated, (they) may not be proportional or related to the purposes for which they are collected”.

Our Association assesses a new homeowner eight months of the monthly fee on purchase. Two of the monthly fee amounts are put in escrow to be repaid on eventual sale if not used to offset delinquent payments or other expenses due the Association, (which appears not to be impacted by your proposal), three monthly fee amounts are allocated to current day-to-day operations (also apparently not impacted by your proposal) and the final three monthly fee amounts are added to our Replacement Reserve. This Reserve is used for repair and replacement of major capital items, roofs, roads, driveways, chimneys, siding, etc. By Regulations we must maintain a balance in this account to meet future needs for these types of major repairs or replacements. It would appear that this is the fee that you are considering as “perhaps improper”. Because we have a significant balance in our Replacement Reserve account, if we do not charge the new homeowner a reasonable fee to be added to the Reserve account, the new homeowner would have a proportional share in that balance without having contributed toward it. That, to us, is unfair to existing homeowners.

We have a public accounting firm audit our accounts annually during which the deposits to, and expenses charged to, the Reserve Account are reviewed and approved as correct. We do not use them “for purposes other than for which they are collected”.

The “private transfer fees”, as you refer to them, are a very important source of finance for this Association. It would certainly not be our intention currently to eliminate these fees. The impact on our Association, if were your proposal to go into effect, would be when a current member decides to sell, the pool of prospective buyers will be reduced and this could, and probably will, impact the sale price. The impact will also be felt by the necessity to increase the monthly fee to compensate and the size of the monthly fee is important to prospective buyers.

Our Association consists of 167 town-house units, with a full time property manager. Many of our owners are in the stage of their lives where they no longer wanted the physical work associated with maintaining their own property and before the go to a continuous care facility or nursing home. Their townhouse unit is frequently their largest asset and the proceeds from its sale are very important to being able to afford the next, and usually more expensive, stage.

We object, strongly, on behalf of our homeowners to any action which will devalue the value of our most important asset.

E mailed to regcomments@fhfa.gov