

From: Brad Taylor [bradburytaylor@gmail.com] on behalf of Brad Taylor [brad@tayloredsites.com]
Sent: Tuesday, October 12, 2010 5:22 PM
To: !FHFA REG-COMMENTS
Subject: I SUPPORT (with modifications) your draft Guidance on Private Transfer Fee Covenants, (No. 2010-N-11)

Dear Mr. Pollard,

As a member of the board of one of the oldest cooperative buildings in NYC which is a long standing member of the Council of New York Cooperatives & Condominiums (CNYC), I take issue with CNYC's stand on this draft guidance. On this issue and a number of others, CNYC is out of sync with my views and I suspect those of many other cooperative owners. I urge you to consider this when you get bombarded by the opposition that they are mounting in the name of their members.

Transfer fees in private cooperatives should only be allowed in the first years of ownership to discourage "flipping" units for speculative gain at the expense of the community of owners. Coops should be required to decrease these fees consistently to zero within ten years of a purchase. Transfer fees that go to third party developers and not back into a cooperative ownership community should be eliminated altogether.

Imposing permanent unchanging transfer fees or "flip taxes" on transactions between long time owners and new buyers is patently unfair. Transfer fees typically replenish capital improvement funds in a cooperative. Long time shareholders who wish to sell should not be required to fund capital improvements that take place after they have moved on. Private cooperatives such as mine have a number of much more equitable ways of raising funds for capital improvements from their shareholder communities through assessments, or taking out loans such as lines of credit or mortgages. These methods spread the cost of capital improvements among those who immediately benefit from the expenditures and in the case of long term loans to future buyers who will also reap the benefits of these improvements.

Furthermore imposing transfer fees on long time owners runs counter to the very principles of long term and shared commitment that cooperative living represents. Rather than rewarding long time cooperators for their steadfast participation in the building community, transfer fees that do not distinguish between long time shareholders and short term speculators add a perverse incentive for coops to encourage sales so that the building can reap these fees.

In light of the above mentioned principles and given that there are more equitable ways to fund capital improvements, private cooperatives should not be allowed to impose sales transfer fees on shareholders who have owned for more than ten years. Withholding approval of Fannie Mae and Freddie Mac backed mortgages to private cooperatives that insist on retaining these unfair and counterproductive fees is the right thing to do.

Thank you for taking the time to read and consider my point of view.

Sincerely,

Brad Taylor