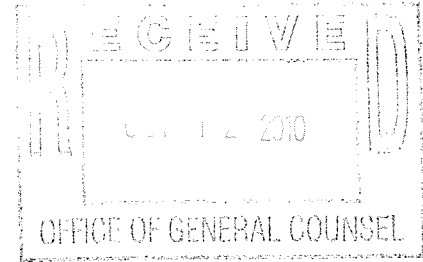


September 29, 2010

Alfred M. Pollard, General Counsel  
Federal Housing Finance Agency  
4<sup>th</sup> Floor 1700 G Street, NW  
Washington, DC 20552



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

Dear Mr. Pollard:

I write to comment upon the Federal Housing Finance Agency's (FHFA) draft guidance governing the use of private transfer fee covenants. The policy, as currently written, has the unintended consequence of casting doubt upon the legality of transfer fee covenants used by governmental entities to aid in housing creation and urban renewal efforts. Language clarifying that public governmental entities are exempt from these new regulations should be included.

FHFA may achieve its stated goals contained in the guidance concerning transfer fee covenants by specifically exempting transfer fee covenants that municipalities and state entities use for economic development purposes. Fannie Mae and Freddie Mac should be restricted from participation in mortgages with covenants that benefit private and non-profit entities but remain eligible to assist states and local governments in their important efforts to create new housing in targeted areas.

Many local and state agencies use transfer fee covenants to develop housing projects on economically depressed parcels. Many of these parcels are located in Urban Renewal Areas in what are known as high cost development cities. In Massachusetts, for example, the state and the City of Boston have been able to spur new housing on underutilized parcels by recouping land costs through transfer fees on the sale and re-sale of market rate residential units rather than through a sale to the developer. Further, the transfer fees used by the Boston Redevelopment Authority (BRA) are fully disclosed in Land Disposition Agreements and the deed for the affected properties. The resale covenants are designed to help the public recoup the true cost of the land over a period of time and allows for new housing stock to be built in areas that otherwise would not be economically feasible. Moreover, these redevelopment efforts boost the local economy and provide jobs.

Transfer fees are derived from urban renewal projects throughout the City of Boston, but a majority of transfer fees come from projects developed in the BRA-owned Charlestown Navy Yard and residential developments in the South End Urban Renewal Area. There are at least 1,000 housing units in Boston that are subject to transfer fee covenants that re-pay the BRA. The Commonwealth of Massachusetts Department of Transportation has also included transfer fee covenants in connection with redevelopment projects where public agencies own the land.

Housing costs in Boston are high, partly because housing stock is low. The BRA utilizes transfer fees to reduce the development costs of new construction on parcels the BRA controls.

By reducing the cost of land acquisition on the front end of a development, the BRA has been able to jump-start the construction of new housing in the city (particularly in areas needing urban renewal) while being able to recoup the actual land cost over the term of the transfer fee covenant. In short, transfer fee covenants help make new residential projects more feasible in neighborhoods that need housing.

The Boston Redevelopment Authority (BRA) is the city of Boston's planning and economic development agency. It performs its functions through the maintenance of urban renewal plans, implementation of zoning and coordination of economic development projects. The BRA is structurally independent from the City of Boston, is self-financed, and receives no revenue from municipal taxes. A significant portion of the BRA's annual revenue is generated by the operation of transfer fee covenants. Revenue is dependent upon urban redevelopment and the number of new units created and the frequency of resale activity. In the past four fiscal years, annual revenue attributable to transfer fee covenants has ranged from \$700,000 to over \$1.36 million.

If the draft FHFA guidance becomes effective as written, thousands of homeowners in the City of Boston (many of whom presumably already have mortgages backed by Fannie Mae or Freddie Mac) will have a significantly diminished ability to refinance or sell their homes. Further, potential new buyers will be prevented from using either Fannie Mae or Freddie Mac mortgages to finance properties with BRA transfer fee covenants. Also, adoption of the guidance effectively eliminates thousands of units as possible housing options in areas the BRA and City of Boston have made a redevelopment priority. Finally, if Fannie Mae and Freddie Mac ceased involvement with housing units including transfer fees, it would severely limit the BRA and City of Boston's ability to add housing stock in a market where additional stock is greatly needed.

If you have any questions or comments regarding this letter please do not hesitate to contact me or my staff at (617) 918-4201. Thank you for considering the BRA's concerns regarding this matter.

Yours truly,

A handwritten signature in blue ink, appearing to read "John F. Palmieri".

John F. Palmieri

Director