

From: Allison Handler [allison@decision2.com]
Sent: Thursday, October 14, 2010 3:17 PM
To: !FHFA REG-COMMENTS
Subject: Guidance on Private Transfer Covenants (No. 2010-N-11)

I am submitting the following comments concerning proposed limitations on Private Transfer Covenants:

I am concerned that the suggested limitations will inhibit the ability of the organizations with which I consult – shared-equity homeownership organizations, including community land trusts – to fulfill their missions of providing sustainable, affordable homeownership.

Well designed homeownership programs protect the public investment in scarce affordable units by providing the long-term asset management or stewardship that allows homes to remain affordable for future generations. Stewardship includes monitoring to ensure program compliance, support for the homeowners to help them be successful, and (if necessary) enforcement of homeownership program guidelines – these functions are critical to ensure the success of the families that purchase long-term affordable homes and to ensure that those homes do remain affordable, resale after resale after resale. Stewardship is the key to creating long-term sustainable homeownership opportunities. Unfortunately, there are very few ways to cover these stewardship costs.

Appropriate transfer fees are among the best practices that local affordable housing programs across the country have to cover the cost of stewardship. If FHFA were to adopt guidance prohibiting the GSEs from participating in transactions that include transfer fees, that would make it much more difficult to create long-term affordable homeownership opportunities that are of central importance to the mission of these organizations. Transfer fees earned by community land trusts, for example, do not adversely affect liquidity, affordability, and stability in the housing finance market. The enable the organizations to pay for the staff members who provide that essential stewardship function.

CLT homeowner mortgages did not contribute to the current housing and economic crisis and do not need to be placed outside the reach of the GSEs. A recent survey showed that the foreclosure rate for CLT homeowners is 1/8 the national rate. CLT homeownership is a proven, effective way of helping low-income households become and remain successful homeowners. After 5 years of homeownership, 90% of CLT owners are still homeowners, compared to 50% for other first-time homeownership programs.

Preventing the GSEs from dealing in mortgages on properties encumbered by private transfer fees that are used to provide public benefits such as affordable housing would significantly impede these organizations' ability to serve low-income families.

Thank you for considering these comments. I look forward to your reponse.

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