

From: Rick Van Benschoten [rickvanben@gmail.com]  
Sent: Friday, October 15, 2010 4:19 PM  
To: !FHFA REG-COMMENTS  
Subject: Guidance on Private Transfer Fee Covenants, (No. 2010-N-11)

Dear Mr. Pollard,

The above noted guidance states: "Such covenants appear adverse to liquidity, affordability and stability in the housing finance market and to financially safe and sound investments." As a tenant-shareholder in a New York City cooperative, I find this statement to be entirely inaccurate.

The very existence of a flip-tax in a co-op serves to encourage long-term tenancy and discourage short-term speculation. For those who see their home purchase as a long-term investment (which I'm sure you agree is the preferable approach) the flip tax allows the co-op to fund capital improvements, build and maintain a healthy reserve fund, minimize assessments and reduce monthly costs. While most will agree that a flip-tax is no substitute for proper financial planning and appropriate monthly maintenance payments by tenant shareholders, it is an excellent way to provide for the co-op and help maintain its long term stability.

Any prospective tenant shareholder is well aware of a flip tax before committing to a purchase, and can determine if the steady monthly savings throughout his or her tenancy would be worth the eventual cost at time of resale. Again, the benefits are there in terms of monthly affordability for the long-term purchaser, stability for buildings (and communities) not subjected to the constant turnover of short-term residents, and liquidity in the form of funds available to the co-op.

Should your guidance be issued and the rules for GSEs changed, the loss of financing options in thousands of New York City co-ops would not only be destabilizing, but devastating to the local housing market. While some would applaud a reduction of prices here, the only people who stand to benefit are a very small number of cash-rich purchasers, as those who require financing would have few if any options. This would effectively reduce the inventory of available properties, driving the prices of condominiums and non-flip tax co-ops even higher.

Sincerely,

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