

From: George Covington [gcovington@sbcglobal.net]
Sent: Friday, October 15, 2010 5:30 PM
To: !FHFA REG-COMMENTS
Subject: No 2010-N-11 Reject Proposed Rule on Private Transfer Fee Covenants

Mr. Pollard:

I am writing in my capacity as counsel for Lake Forest Open Lands Association (LFOLA), an Illinois not for profit corporation, that is dedicated to preserving open space and natural areas in and near Lake Forest , Illinois . LFOLA is a 501(c)(3) organization under the Internal Revenue Code. Together with other innovative tools, LFOLA has used transfer assessments to preserve and maintain natural areas that serve the residents of the developments that are subject to those assessments, as well as the public in general.

I am writing to urge you to REJECT the proposed guidance No. 2010-N-11 relating to private transfer fees as it is currently written. A bill with similar effect was introduced in the Illinois General Assembly, but after learning of the use of transfer assessments by LFOLA it was amended to permit their use by 501(c)(3) conservation organizations.

The abusive practice of using transfer fees for purely private gain can be curtailed without disturbing the legitimate use of transfer fees for homeowner or community benefits. As proposed, this guidance would have a severe negative impact on the operations of homeowners associations, environmental groups such as LFOLA and affordable housing programs that rely on these disclosed fees for their operations. A transfer fee has a real value to a community when used in specific circumstances that benefit the homeowner or community, such as use by homeowners associations (HOAs), non-profit organizations, or governmental agencies to build and maintain community enhancements or promote important community benefits such as open space, affordable housing, and transit improvements.

With a high percentage of mortgages (by some estimates 90 percent) insured or backed by Freddie Mac or Fannie Mae, this proposal would effectively preclude the use of transfer fees for community benefits, removing a critical tool for building strong communities and dealing another blow to homeowners at a time when the markets are struggling to recover.

Approval of this guidance as written is ill-advised and should be REJECTED. The FHFA should instead adopt transfer fee standards that protect community benefits while prohibiting abusive fees that are used solely for private gain.

At a minimum, the comment period should be delayed and extended for a significant time to allow for the thoughtful and transparent consideration of the impacts of such a change.

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