



THE ASSEMBLY
STATE OF NEW YORK
ALBANY

SHELDON SILVER
Speaker of the Assembly

October 15, 2010

Edward DeMarco
Acting Director
Federal Housing Finance Agency

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

Dear Mr. DeMarco:

I would like to bring to your attention the deep concern I have over the proposed Guidance on Private Transfer Fee Covenants currently under consideration by the Federal Housing Finance Agency. The proposed Guidance would prohibit Fannie Mae, Freddie Mac, and the Federal Home Loan Banks from investing in mortgages with private transfer fee covenants or transfer flip taxes.

While I understand the intention of the Guidance, I foresee negative consequences that run counter to that intention. Flip taxes in Cooperative buildings are reinvested back into their properties, financing needed capital improvements, stabilizing reserve funds and helping to keep maintenance fees affordable. Taking away this tool from cooperators will cause steep maintenance fee increases. For example, many senior citizen cooperators in my Lower Manhattan District live in what are known as NORCs (Naturally Occurring Retirement Communities). A steep increase to these seniors will likely have one of two outcomes: it will burden them to the point where they will no longer be able to afford maintenance charges in their homes or the cooperators will be forced to allow their buildings to fall into disrepair.

Therefore, I urge you to reconsider this Guidance due to its detrimental affects on cooperators who use the flip tax as a means of reinvesting in their buildings. I appreciate your time and consideration on this matter. If you have any questions or additional concerns, please feel free to contact my office at (212) 312-1400 or via e-mail at Speaker@assembly.state.ny.us. Thank you in advance.

Very Truly Yours,

A handwritten signature in black ink, appearing to read "Sheldon Silver".

SHELDON SILVER
Speaker