HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515
(202) 225-2601
(202) 225-1589 Fax
http://www.house.gov/ackerman

VICE CHAIR,
COMMITTEE ON
FOREIGN AFFAIRS
CHAIRMAN,
SUBCOMMITTEE ON
THE MIDDLE EAST AND SOUTH ASIA
SUBCOMMITTEE ON ASIA, THE PACIFIC,
AND THE GLOBAL ENVIRONMENT

Gary L. Ackerman
Congress of the United States
5th District, New York

218-14 NORTHERN BOULEVARD
SUITE 204
BAYSIDE, NY 11361
(718) 423-2154
(718) 423-5053 Fax

COMMITTEE ON
FINANCIAL SERVICES
SUBCOMMITTEE ON CAPITAL MARKETS,
INSURANCE, AND GOVERNMENT
SPONSORED ENTERPRISES
SUBCOMMITTEE ON FINANCIAL
INSTITUTIONS AND CONSUMER CREDIT

October 4, 2010

Edward DeMarco, Acting Director
Federal Housing Finance Agency, Fourth Floor
1700 G Street, NW
Washington, DC 20552

Dear Director DeMarco:

I am writing to express my strong opposition to including the mortgages of cooperative-housing associations (co-ops) and homeowners' associations (HOAs) in an otherwise fine proposal that would prohibit government-sponsored enterprises (GSEs) from investing in mortgages with predatory private transfer fee covenants. If adopted, the proposal would, in effect, eliminate *all* private-transfer fees, including those that fund co-ops and HOAs, which are used to maintain the owners' properties. Accordingly, the mortgages of co-ops and HOAs with a private-transfer fee, commonly known as a "flip tax," must be excluded from the Federal Housing Finance Agency's (FHFA) "Guidance on Private Transfer Fee Covenants, (No. 2010-N-11)."

Unlike other private-transfer fees that go straight into the pockets of for-profit, third-party developers, flip taxes paid to co-ops and HOAs after a property sale directly benefit owners by funding the cash reserves, the maintenance, or the capital improvements of their properties. In my congressional district, numerous co-ops and HOAs have flip taxes to keep monthly fees affordable for their owners. FHFA's blanket prohibition would force dramatic increases in co-op and HOA monthly-carrying charges to make up for lost revenue, making it difficult for co-op and HOA residents in my district and across New York City to remain in their homes or sell them.

Banning GSE investment in mortgages with predatory private-transfer fees, especially those fees that go to outside third-parties, such as developers, is common sense. However, it makes no sense to include the legitimate flip taxes of co-ops and HOAs that help pay for property improvements that would not be possible without these funds. Co-ops, as well as other types of developments with HOAs, form the backbone of affordable housing for the middle class both in my district and in New York City. Many of these owners are working families and retirees that simply cannot afford an increase in their housing expenses during these tough economic times. Therefore, I request that the FHFA remove co-op and HOA mortgages with flip taxes from its final guidance prohibiting GSE investment in mortgages with private-transfer fees.

Thank you for your consideration of this matter, I look forward to your response.

SINCERELY,

Gary L. Ackerman

GARY L.ACKERMAN