DATE:

SUMMARY:

ACTION:

AGENCY:

Private Transfer Fee Covenants

AGENCY: Federal Housing Finance Agency.

ACTION: Notice of proposed guidance; request for comments.

SUMMARY: The Federal Housing Finance Agency (FHFA) is proposing to issue a Guidance, “Guidance on Private Transfer Fee Covenants,” to the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac) (collectively, the Enterprises), and the Federal Home Loan Banks (the Banks) that the entities it regulates should not deal in mortgages on properties encumbered by private transfer fee covenants. Such covenants appear adverse to liquidity, affordability and stability in the housing finance market and to financially safe and sound investments. This proposed Guidance would extend to mortgages and securities held by the Banks as investments or as collateral for advances and to mortgages and securities held or guaranteed by the Enterprises.

DATES: Interested persons may submit comments on or before October 15, 2010.

Comments: Submit comments to FHFA using any one of the following methods:

• E-mail: regcomments@fhfa.gov. Please include “Guidance on Private Transfer Fee Covenants, (No. 2010–N–11)” in the subject line of the message.

• Mail/Hand Delivery: Alfred M. Pollard, General Counsel, Federal Housing Finance Agency, Fourth Floor, 1700 G Street, NW., Washington, DC 20552, Attention: Public Comments

FHFA invites comment on all aspects of the proposed guidance, including comments on which actions by FHFA would be most appropriate to address the concerns posed by private transfer fees. The comment period will end on October 15, 2010. Copies of all comments will be posted on FHFA’s Internet Web site at http://www.fhfa.gov. In addition, copies of all comments received will be available for examination by the public on business days between the hours of 10 a.m. and 3 p.m., at the Federal Housing Finance Agency, Fourth Floor, 1700 G Street, NW., Washington, DC 20552. To make an appointment to inspect comments, please call the Office of General Counsel at (202) 414–6924.

II. Background

Establishment of FHFA

FHFA is an independent agency of the Federal Government and was established by the Housing and Economic Recovery Act of 2008 (HERA), Public Law 110–289, 122 Stat. 2654 to regulate and oversee the Enterprises and the Banks (collectively, the regulated entities). HERA amended the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4501 et seq.) (Safety and Soundness Act) and the Federal Home Loan Bank Act (12 U.S.C. 1421 through 1449) to enhance the authorities and responsibilities of the new agency. FHFA’s regulatory mission is to ensure, among other things, that each of the regulated entities “operates in a safe and sound manner” and that their “operations and activities * * * foster liquid, efficient, competitive, and resilient national housing finance markets.” (12 U.S.C. 4513(a)(1)(B)).

III. Federal Housing Finance Agency Guidance

A private transfer fee covenant is attached to real property by the owner or another private party, frequently, the property developer, and provides for a transfer fee to be paid to an identified third party (such as the developer or its trustee) upon resale of the property. The fee typically is stated as a percentage, such as one percent of the property’s sales price and often survives for a period of ninety-nine (99) years.

FHFA has expressed concerns about private transfer fees in congressional testimony and in other public statements. FHFA is publishing this Notice in order to receive public comment on this proposed draft Guidance.

Promoters of private transfer fees and their possible securitization argue that such fees are beneficial when used to fund project developments or to enhance community investments through homeowners associations or through affordable housing groups, environmental groups, or other charitable organizations.

FHFA is concerned that such fees are used to fund purely private continuous streams of income for select market participants either directly or through securitized investment vehicles. Further, it is unclear that the fees, even if dedicated to homeowners associations, are proportional or related to the purposes for which the fees were to be collected. FHFA’s draft Guidance is based on the view that investments in mortgages on properties with private transfer fee covenants and securities designed to generate income from the fees are not acceptable for the regulated entities. FHFA’s draft Guidance does not distinguish between private transfer fee covenants which purport to render a benefit to the affected property and
those which accrue value only to unrelated third parties.

Encumbering housing transactions with fees that may not be properly disclosed and that may limit the alienation of property means that such fees may impede the marketability and the valuation of properties and adversely affect the liquidity of securities backed by mortgages so encumbered. FHFA is concerned that such consequences will have a particularly detrimental effect on still fragile housing markets. FHFA’s position is also influenced by considerations of consumer protection where disclosures may be insufficient and add costs not fully understood by consumers.

FHFA recognizes that there is a range of actions it can take, including to require the regulated entities to report on the extent of their exposure to private transfer fee covenant investments, change seller/servicer guides to identify restrictions on the purchase of encumbered mortgages, create and enforce additional representations and warranties against encumbered mortgages, or to prohibit the purchase or investment in the mortgages or the revenue generated by the fees.

FHFA’s draft Guidance directs that the Enterprises should not purchase or invest in mortgages encumbered by private transfer fee covenants or securities backed by private transfer fee revenue, as such investments would be unsafe and unsound practices and contrary to the public missions of the Enterprises and the Banks. Likewise, the draft Guidance would direct that the Banks should not purchase or invest in such mortgages or securities or hold such mortgages as collateral for advances.

IV. Proposed Guidance
The proposed draft Guidance follows:

Federal Housing Finance Agency
Guidance on Private Transfer Fee Covenants

Issuance Date: August XX, 2010

I. Introduction

The respective federal charters of the Enterprises reflect their public mission to "provide stability in the secondary market for residential mortgages," "respond appropriately to the private capital market," "provide ongoing assistance to the secondary market for residential mortgages," and "promote access to mortgage credit throughout the Nation" (see section 301 of the Fannie Mae Charter Act and section 301(b) of the Freddie Mac Corporation Act.) FHFA’s regulatory mission is to ensure, among other things, that the regulated entity it supervises "operates in a safe and sound manner" and that their "operations and activities foster liquid, efficient, competitive, and resilient national housing finance markets." (12 U.S.C. 4513(a)(1)(B)).

II. Private Transfer Fees
A private transfer fee covenant is attached to real property by the owner or another private party (frequently, the property developer) and requires a transfer fee payment to an identified third party, such as the property developer or its trustee, a homeowners association, an affordable housing group or another community or non-profit organization, upon each resale of the property. The fee typically is stated as a percentage (e.g., 1 percent) of the property’s sales price and often survives for a period of ninety-nine (99) years.

Some states have legislated against private transfer fee covenants in all circumstances. Other states permit them only when they benefit a homeowners association or community organization or when they have been adequately disclosed. Still other states have no position on such covenants.

Proponents of private transfer fees argue that these fees have positive effects when the proceeds offset initial infrastructure improvements or to fund new improvements to existing communities. Further, they argue that payments at the time of a resale are intended to reimburse the developers or investors for their initial outlays. At the same time, opponents argue that these community goals can be achieved through more transparent and equitably distributed assessments on all community-affected property owners. Many covenants are not intended for purely community purposes and, instead, create purely private continuous streams of income for select market participants either directly or through securitized investment vehicles.

III. FHFA Guidance to the Enterprises and the Banks
FHFA has found that the typical one percent fee at the time of resale is neither a minimal nor a reasonable amount; further, such fees may be in excess of one percent. Such fees increase by a meaningful amount the seller’s and potentially the buyer’s burden at the time of a property sale. Expanded use of private transfer fee covenants poses serious risks to the stability and liquidity of the housing finance markets.

Further, FHFA has concerns that private transfer fee covenants, regardless of their purposes, may:
• Increase the costs of homeownership, thereby hampering the affordability of housing and reducing liquidity in both primary and secondary mortgage markets;
• Limit property transfers or render them legally uncertain, thereby deterring a liquid and efficient housing market;
• Detract from the stability of the secondary mortgage market, particularly if such fees will be securitized;
• Expose lenders, title companies and secondary market participants to risks from unknown potential liens and title defects;
• Contribute to reduced transparency for consumers because they often are not disclosed by sellers and are difficult to discover through customary title searches, particularly by successive purchasers;
• Represent dramatic, last-minute, non-financeable out-of-pocket costs for consumers and can deprive subsequent homeowners of equity value; and,
• Complicate residential real estate transactions and introduce confusion and uncertainty for home buyers.

The risks and uncertainties for the housing finance market that are represented by the use of private transfer fee covenants are not counterbalanced by sufficient positive effects. To the extent that private transfer fee covenants benefit unrelated third parties, one cannot claim that a service or value is rendered to the relevant property owner or community. Even where such fees are payable to a homeowners association, unlike more typical annual assessments they are likely to be unrelated to the value rendered, and at times may apply even if the property’s value has significantly diminished since the time the covenant was imposed.
FHFA regards such purchases as inconsistent with the Enterprises’ public missions to promote liquid, efficient and stable housing finance markets. FHFA does not consider mortgages encumbered by private transfer fee covenants to be prudent or safe or sound investments for the Enterprises or the Banks. Consequently, Fannie Mae and Freddie Mac should not purchase or invest in any mortgages encumbered by private transfer fee covenants or securities backed by such mortgages. The Banks should not purchase or invest in such mortgages or securities or hold them as collateral for advances.


Stephen Cross,
Deputy Director of the Division of Federal Home Loan Bank Regulation, by Delegation, Federal Housing Finance Agency.

[FR Doc. 2010–20108 Filed 8–13–10; 8:45 am]
BILLING CODE 6750–01–P

FEDERAL RESERVE SYSTEM
Change in Bank Control Notices; Acquisition of Shares of Bank or Bank Holding Companies

The notificants listed below have applied under the Change in Bank Control Act (12 U.S.C. 1817(j)) and §225.41 of the Board’s Regulation Y (12 CFR 225.41) to acquire a bank or bank holding company. The factors that are considered in acting on the notices are set forth in paragraph 7 of the Act (12 U.S.C. 1817(j)(7)).

The notices are available for immediate inspection at the Federal Reserve Bank indicated. The notices also will be available for inspection at the office of the Board of Governors. Interested persons may express their views in writing to the Reserve Bank indicated for that notice or to the offices of the Board of Governors. Comments must be received not later than August 31, 2010.

A. Federal Reserve Bank of Cleveland (Nadine Wallman, Vice President) 1455 East Sixth Street, Cleveland, Ohio 44101–2566:

1. WVS Financial Corp., Employee Stock Ownership Plan, and Jonathan D. Hoover, sole trustee, both of Pittsburgh, Pennsylvania; to retain and acquire additional voting shares of WVS Financial Corp., and thereby indirectly retain and acquire additional voting shares of West View Savings Bank, both of Pittsburgh, Pennsylvania.


Jennifer J. Johnson,
Secretary of the Board.

[FR Doc. 2010–20157 Filed 8–13–10; 8:45 am]
BILLING CODE 6210–01–S

DEPARTMENT OF HEALTH AND HUMAN SERVICES
[Document Identifier: OS–0990–New; 60-day Notice]

Notice of Request for Public Comments

AGENCY: Office of the National Coordinator for Health Information Technology (ONC), Office of the Secretary, Department of Health and Human Services.

Agency Information Collection Request: 60–Day Public Comment Request

In compliance with the requirement of section 3506(c)(2)(A) of the Paperwork Reduction Act of 1995, the Office of the Secretary (OS), Department of Health and Human Services, is publishing the following summary of a proposed information collection request for public comment. Interested persons are invited to send comments regarding this burden estimate or any other aspect of this collection of information, including any of the following subjects: (1) The necessity and utility of the proposed information collection for the proper performance of the agency’s functions; (2) the accuracy of the estimated burden; (3) ways to enhance the quality, utility, and clarity of the information to be collected; and (4) the use of automated collection techniques or other forms of information technology to minimize the information collection burden.

To obtain copies of the supporting statement and any related forms for the proposed paperwork collections referenced above, e-mail your request, including your address, phone number, OMB number, and OS document identifier, to Sherette.funncoleman@hhs.gov, or call the Reports Clearance Office at (202) 690–6162. Written comments and recommendations for the proposed information collections must be directed to the OS Paperwork Clearance Officer at the above e-mail address within 60 days.

Proposed Information Collection: ONC: Temporary Certification Program’s Application, Reporting and Records Requirements—OMB No. 0990–NEW–Office of the National Coordinator for Health Information Technology.

Abstract: The Office of the National Coordinator for Health Information Technology (ONC) received emergency approval from OMB under section 3507(j) of the Paperwork Reduction Act (PRA) for this collection of information on June 14, 2010 (OMB No. 0990–0358). This emergency approval expires on December 31, 2010. Accordingly, ONC seeks public comment and OMB’s approval for this collection of information under section 3504(h) of the PRA.

In a notice of proposed rulemaking implementing section 3001(c)(5) of the Public Health Service Act, ONC proposed to establish two certification programs, a temporary certification program and a permanent certification program. On June 24, 2010, a final rule was published that established the temporary certification program (“Establishment of the Temporary Certification Program for Health Information Technology,” 75 FR 36158) (Temporary Certification Program final rule).

The temporary certification program, which is anticipated to sunset on December 31, 2011, requires: applicants that wish to become ONC–Authorized Testing and Certification Bodies (ONC–ATCBs) to respond to and submit an application; collection and reporting requirements for ONC–ATCBs, and requirements for ONC–ATCBs to retain records of tests and certifications and disclose the final results of all completed tests and certifications (i.e., provide copies of all completed tests and certifications) to ONC at the conclusion of testing and certification activities under the temporary certification program.

Estimated Annualized Burden Hours

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APPLICATION FOR ONC–ATCB STATUS UNDER THE TEMPORARY CERTIFICATION PROGRAM

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