



December 16, 2016

Dear Community Manager,

It has come to our attention the Department of Housing and Urban Development (HUD) is no longer approving FHA financing in your community and communities like yours. Over the past several weeks WeMAR (West Maricopa Association of REALTORS®) has received calls and emails from our members regarding these loan denials.

The FHA is sighting provisions in your Community Bylaws that violate their free assumability clause. The free assumability clause requires FHA be able to foreclose on the subject property without restrictions.

**203.41.5.b – Policy of free assumability with no restrictions.** A mortgage shall not be eligible for insurance if the mortgaged property is subject to legal restrictions on conveyance, except as permitted by this part.

**203.41.5.c.2 – Exception for eligible government or nonprofit programs.** Legal restrictions on conveyance are acceptable if: (c2) The restrictions will automatically terminate if title to the mortgaged property is transferred by foreclosure or deed-in-lieu of foreclosure, or if the mortgage is assigned to the Secretary.

This will limit your community member's ability to purchase, refinance or complete a FHA reverse mortgage. This problem is not unique to you, your community or Arizona. This is affecting numerous entities in several states.

WeMAR and the National Association of REALTORS® (NAR) are working with HUD to find a resolution to this issue. We have been told there is a policy amendment, education and an approval application process that will be forthcoming. We are hopeful we will see a resolution to this issue by March 2017.

In the meantime, this will affect property owners in your community. We suggest you review your bylaws and inform your property owners so they may seek appropriate guidance from their lender and REALTOR®. You as an organization may also wish to provide HUD with your concerns.

If you have additional questions or concerns, please call or email me.

Sincerely,



Liz Recchia

Government Affairs Director

West Maricopa Association of REALTORS®

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