

Resident Email to RCSC:

From: [REDACTED]
Sent: Monday, April 03, 2017 11:43 AM
To: Board Office <boardoffice@suncityaz.org>
Subject: LOSS OF FHA FINANCING IN SUN CITY, AZ

Marsha - I am resending this email to the Board as discussed in our phone conversation this morning. I will attend the open Board Meeting on Monday, April 10, 2017 @ 9am as we also discussed. I would like to hear from the Board if they will consider changing their bylaw to elevate the impact on Sun City homeowners as a result of the FHA situation.

March 13, 2017

**TO: The Recreation Centers of Sun City (RCSC)
Board of Directors**

I wish to bring to your attention, though I am sure not for the first time, the crisis that the RCSC Bylaws are creating for homeowners attempting to purchase, refinance or complete FHA reverse mortgage financing. Your homeowners are all over 55 so it is extremely impactful for them not to be able to get a reverse mortgage. Over time you will see this impact on purchases and refinancing as well. According to local realtors this situation has already started affecting sales in Sun City.

A change in the RCSC Bylaws is not an insurmountable task. The only change required is the Bylaw that violates the FHA free assumability clause. The assumability clause requires the 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.

What all this legal jargon means is if you revise the preservation fee policy in the Bylaws then FHA financing again becomes available to homeowners in Sun City. The only fee SCRC is giving up is on the **0.16 percent of foreclosures** that occur in our community as stated in the Independent Newsmedia – February 28, 2017 (below) that upon the eventual resale of the property would be recovered. A

group in Tucson gets around this by simply applying the preservation fees to all “purchases” rather than transactions.

“RCSC officials stated foreclosures last year represented 0.16 percent of Sun City properties. “Foreclosures have declined each year since 2012 and declined in 2016 by 80 percent from 2012 with 41 reported foreclosures,” Ms. Higgins stated. Higgins stated the majority of feedback RCSC officials have received surrounds the impact on reverse mortgage financing.”

In the meantime homeowners like myself who are stressed by rising costs (APS, EPCOR to name just a few) on our single social security incomes have no source for relief through a FHA reverse mortgage.

I therefore respectfully request that the SCRC Board take up this request for a change in the SCRC Bylaws at their next Board Meeting scheduled for April 10, 2017.

I sincerely hope that this small change to the Bylaws will receive the focused attention of the Board to relieve the huge impact this lack of FHA funding is having on your homeowners.

Sincerely

[REDACTED]

[REDACTED]

Blue Lagoon HOA, [REDACTED]

[REDACTED]

Sun City, AZ 85351

See RCSC response on next page

Response from RCSC:

From: Chris Herring [REDACTED]
Subject: RE: LOSS OF FHA FINANCING IN SUN CITY, AZ
Date: April 3, 2017 at 4:52:43 PM MST
To: [REDACTED]
Cc: Board of Directors <BoardofDirectors@suncityaz.org>, [REDACTED]
[REDACTED]
[REDACTED]

I apologize that your previous communication was not received causing a delay in receiving a response from us on your concern regarding FHA loan issues in Sun City AZ. Your concern is consistent with other communications we have received regarding difficulties in obtaining reverse mortgage financing in Sun City AZ. The CFR language that you reference dates to HUD policy guidelines from 2009 that began to be more broadly interpreted in mid-December of last year after many years of a different application by HUD for FHA insured loans in Sun City AZ. To be clear though, this is not an issue for just Sun City AZ but is a national issue that affects many communities like ours.

We have communicated to HUD our view that the two section citations that are commonly identified, as you have in your email, are incorrectly applied to the Preservation and Improvement Fee (PIF) in Sun City AZ. Both cited sections rely on the definition of *legal restriction on conveyance* earlier in sections (a)(3)(i) through (vi) which does not include a fee such as the PIF. Because of this definition it is our view that the overly broad interpretation is incorrect in this situation. In fact, discussions with HUD highlight the intent of this CFR section was to limit the ongoing restrictions of low income housing covenants so that HUD would be free to dispose of the property to any buyer in the event of foreclosure; not just to those that met low income requirements.

Congress enacted changes in 2016 that required HUD to adopt the same lending guidelines for condominiums used by the FHFA, the governing agency for FNMA and FHLMC. Through those guidelines the PIF fee in Sun City AZ does not impact the FHA insurability of loans for condominiums and HUD acknowledges this. Condominiums make up approximately one third of the properties in Sun City AZ. The challenge is that the 2016 legislative change addressed only a subset of the housing market and HUD is currently reviewing how they will be addressing single family residences considering the recent change for condominiums. We are actively working with HUD and I have had three calls with HUD in the past week or so to answer their questions and provide documentation they need. After a period of inactivity this issue is now getting attention at HUD.

Because we are actively engaged with HUD to address the issue we feel it is premature to make changes to the RCSC Corporate Documents to address a situation that is still fluid in nature and that we are optimistic will be resolved without making any changes. Unfortunately while at this time we do not have a time table for when HUD will make changes to their guidelines with respect to single family residences, we do anticipate this being resolved so that FHA insured loans would be available for all homes in Sun City AZ.

I understand that this may not address an immediate need you may have although it looks as though your home is part of a condominium project that should be able to be approved for an FHA insured loan. My hope is that you will understand that we are working with HUD to resolve the problem. Please let me know if you have any additional questions.

Chris Herring, CMCA | Assistant General Manager
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