



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-8000

OFFICE OF HOUSING

Mr. Chris Herring  
Director of Support and Services  
Recreation Centers of Sun Cities, Inc.  
10626 W. Thunderbird Blvd  
Sun City, AZ 85351-3009

OCT 05 2018

Dear Mr. Herring:

Thank you for your August 3, 2018 letter and the follow-up information in response to our letter of the same day regarding your recent efforts to ensure that buyers and homeowners in Sun City can utilize HUD/FHA-insured financing.

In the previous letter, FHA indicated that we could not establish whether the covenant establishing Sun City's \$3,500 Preservation and Improvement Fee (PIF) satisfies FHFA's regulation as an acceptable *Excepted Transfer Fee Covenant*. FHFA's regulation states that a private transfer fee ("Fee") is acceptable when it requires payment of the Fee to a covered association and limits the use of the Fee *exclusively* to purposes that provide a direct benefit to the real property encumbered by the Fee covenants.

In your response you indicated that based upon the language in 12 CFR 1228, you believed the covenant establishing the PIF charged by Recreation Centers of Sun Cities (RCSC) qualifies as an Excepted Transfer Fee Covenant as defined therein. You also provided the RCSC bylaws and Board Policy Resolution for the Preservation and Improvement Fee/Fund in place at this time.

FHA in conjunction with HUD's Office of General Counsel reviewed the documents you provided and found that; to the extent RCSC is a 501(c)(4), which would qualify it as a covered association, such fee appears to meet the definition of an Excepted Transfer Fee under FHFA's regulations. This finding is based upon the current use of the PIF as outlined in the board resolution as reviewed and may not hold true should such use be modified in the future. Accordingly, the existence of this private transfer fee covenant, as described in the Recreation Center of Sun City, Inc. corporate bylaws, as amended June 30, 2016 and the Board Policy Resolution No. 24, "Preservation and Improvement Fee/Fund," would not render a property ineligible for FHA insurance.

FHA also notes that if the property securing the FHA insured mortgage is part of a Condominium Project, that Condominium Project must be approved in accordance with FHA's Condominium Project Approval and Processing Guide as amended.

I hope this information is helpful.

Sincerely,

A handwritten signature in blue ink, appearing to read 'ES', with a long horizontal flourish extending to the right.

Elissa Saunders  
Director, Office of Single  
Family Program Development