



## THE RANCHO SAHUARITA COMPANY

September 17, 2010

The Honorable Alfred M. Pollard  
General Counsel  
Federal Housing Finance Administration  
Fourth Floor  
1700 G Street, NW  
Washington, DC 20552

Dear Mr. Pollard,

I am writing to request a meeting in regard to The Federal Housing Finance Agency's ("FHFA") efforts to prohibit Fannie Mae, Freddie Mac and the Federal Home Loan Banks from investing in mortgages on homes in communities that are subject to "private transfer fees." Many residential developments, like our Rancho Sahuarita, which is located outside Tucson, Arizona, include not-for-profit homeowners associations ("HOA's") that maintain common areas, build community enhancements, and promote social activities. HOA expenses are typically funded by assessments ("dues") charged to homeowners and in many cases, by transfer-fees (1/4%-1%) collected on residential re-sales.

Rancho Sahuarita has enjoyed nearly unparalleled success including recognition as the fastest selling community in Arizona in 2008 and 2009 and it has consistently been a top selling community nationally for each of the past 9 years. Currently, we have over 12,000 residents living in more than 5,000 homes in our community. Rancho Sahuarita's successful home sales performance, during these difficult economic times, demonstrates that transfer fees can be beneficial for homeowners when fully disclosed, paid to the HOA, and used to fund projects that enhance the community and home values. In Rancho Sahuarita's case, residents voted in 2004 to authorize the HOA to borrow funds from a bank to build "community enhancements," like a "Kid's Club," with the understanding that the HOA would exclusively utilize transfer fees, rather than HOA dues, to repay those loans.


It appears that this FHFA guidance assumes "that the fees fund purely private streams of income for select market participants [like developers and Wall Street bankers] and do not benefit

homeowners.” However, the unintended consequence of this rule would prevent Rancho Sahuarita’s HOA from using transfer fee revenue to fund legitimate community expenses. If the rule is adopted, our HOA may be forced to raise assessments, discontinue community enhancements, and possibly default on resident, authorized loans.

Since Fannie Mae and Freddie Mac, along with the FHFA, are responsible for at least 100% of the mortgage market volume within Rancho Sahuarita, this guidance would reduce our residents’ home values by effectively stopping new and used home sales. In addition, it would prevent homeowners from being able to refinance their mortgages to secure a lower interest rate. While over 70% of our homes are currently “underwater,” our community’s foreclosure rate is less than 2%. (Transfer fees aren’t paid in the event of foreclosure.) In addition, Tucson median home prices dropped 13.7% in the second quarter compared to the same 2009 period, the second largest drop in the nation, while Rancho Sahuarita’s median home prices didn’t drop at all. Local experts agree that Rancho Sahuarita has outperformed the market and has a low foreclosure rate, as compared to other newly developed, Arizona communities, due to its extensive amenities and vibrant lifestyle, which are partially funded by transfer fees.

The FHFA concerns are unfounded in cases like Rancho Sahuarita, where the transfer fees are “proportional or related to the purposes for which the fees were to be collected.” I am hopeful that the FHFA will revise this blanket guidance to distinguish between transfer fees that directly benefit homeowners through HOA’s and other non-profits and those that simply pay out to profit-minded, Wall Street bankers. As the developer of Rancho Sahuarita and its HOA president, representing 12,000 residents, I would greatly appreciate the opportunity to present our story to you personally. I will be in Washington D.C. during the week of October 11<sup>th</sup> or I am willing to come out earlier to meet with you if that would be more convenient for your schedule. My cell phone number is 520-440-5557 if you should have any questions. Thank you for your consideration.

Sincerely,



Bob Sharpe  
Managing Partner