

CITY OF SPOKANE DEPARTMENT POLICY AND PROCEDURE	DEPT 1669-07-04 LGL 2007-12
TITLE: SINGLE FAMILY HOUSING REHABILITATION PROGRAM LOANS – SUBORDINATION EFFECTIVE DATE: August 28, 1995 REVISION EFFECTIVE DATE: April 6, 2007	

1.0 GENERAL

1.1 The Community Development Department provides funding for single family housing rehabilitation loans. On occasion, it is appropriate for the City to subordinate its loans, when the property owner takes out a new loan. The city council on August 28, 1995 and August 16, 1999 provided guidelines for administrative approvals of subordination agreements.

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2.0 DEPARTMENTS/DIVISIONS AFFECTED

This policy and procedure applies to housing and rehabilitation loans made with federal and state community development program funds.

3.0 REFERENCES

Title 24 Code of Federal Regulations
OPR 95-752

4.0 DEFINITIONS

4.1 "Subordination" is allowing a debt or claim which has priority to take second position behind another debt, particularly a new loan.

5.0 POLICY

- 5.1 It is the policy of the City of Spokane to consider loan subordination requests for single family housing rehabilitation loans. Approval of a subordination request must meet the following conditions:
- a. The borrower is the owner / occupant of the single family residence being refinanced
 - b. The borrower's gross household income is at or below eighty percent (80%) of Median Family Income as published annually by the U.S. Department of Housing and Urban Development.
 - c. The new loan is limited to the amount of the existing debt prior and superior in lien position to the City's loan plus necessary and reasonable loan closing costs and fees. (There can be no consolidation of existing consumer debt into the refinance or cash back to the borrower.)
 - d. The new loan will benefit the homeowner with a reduced interest rate or reduced monthly payment or shorten the term of the loan without increasing the monthly payment.

6.0 PROCEDURE

- 6.1 Department staff shall follow procedures for loan subordination requests as follows:
- a. The borrower or mortgage company makes an Inquiry.
 - b. Application and requirements are mailed and/or faxed to the homeowner and mortgage company.
 - c. Homeowner application and supporting documents are submitted and reviewed by department staff. Faxed copies are not acceptable.
 - County real estate taxes must be paid current
 - Fire/hazard insurance must be in effect for replacement value with the City as loss payee.
 - d. Mortgage company documentation (new deed of trust and promissory note) is submitted and reviewed by department staff.

- e. The department either approves or denies the request. If the request is approved, the City's subordination document is completed and circulated for appropriate signatures.
- h. Closing instructions and the signed subordination document are sent to or picked up by lender's closing office.

6.2 Time to complete and approve a subordination application varies. Typically it takes between one (1) and two (2) months.

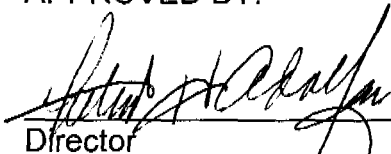
7.0 RESPONSIBILITIES

The Community Development Department shall administer this policy.

8.0 APPENDICES

Subordination Loan Request form

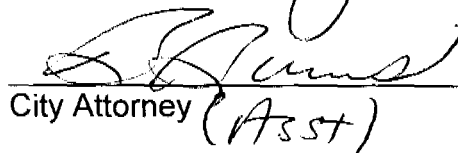
APPROVED BY:



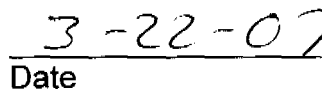
Director



Date



City Attorney (Asst)



Date

RE: City of Spokane Home Rehabilitation Loan: #
Borrowers:

This is in response to the inquiry for information regarding the subordination of a City of Spokane Home Rehabilitation Loan to a refinance of an existing loan(s). Generally this is not allowed. However, one may be considered for approval provided the following conditions are met:

- 1) The original borrower continues as the owner occupant of the home.
- 2) The refinance will lower the monthly payment **and** reduce the interest rate (which must be a fixed rate) **or** shorten the term of the loan without increasing the monthly payment. Property taxes and hazard/fire insurance may be included in the monthly payment. Mortgage Insurance cannot be included in the new payment.
- 3) The borrowers' current gross **household** income qualifies at or below 80% of Median Family Income as published annually by HUD.
- 4) The refinance is only for the amount of the **existing debt prior and superior in lien position** to the City's loan with **no cash** returned to the borrowers and **no refinance of existing or proposed consumer debt**.
- 5) Property taxes must be current. Fire/Hazard Insurance for the replacement value of the home must be in effect, and the City of Spokane must be named as a mortgagee on the policy.

If the above conditions are met, and you wish to submit a request for subordination, please send all of the required documents and information listed on the following page to our department. Send to: City of Spokane, Community Development Dept., 808 W. Spokane Falls Blvd., Room 650, Spokane, WA 99201. (Please note: Information must be sent, NOT FAXED to us. We cannot proceed with consideration of your subordination request until all of the required information has been sent to us.)

Sincerely,

cc: project file

The following is a list of all documents that must be submitted by the lender and our borrower in order for our department to consider a request for subordination. Please note: **ALL INFORMATION MUST BE MAILED OR DELIVERED TO OUR OFFICE. THESE CANNOT BE FAXED TO US.**

Name of Borrower: _____

Property Address: _____

Lender Information:

- 1) Please provide a copy of the **proposed Promissory Note and Deed of Trust** that will be used by your company for this refinance.
- 2) Please provide a copy of the **refinance proposal** that includes the Note Interest Rate and APR, term, payment amount, all loan and closing costs, and the new loan amount. Once we obtain all requested documents, we may require up to 2 weeks to review the loan and make a determination on the subordination request. **If the subordination is approved, we may require up to an additional 2 weeks to prepare the documents and obtain the required signatures.**
- 3) Please provide a copy of the **original Note(s) to be refinanced**, which should indicate loan amount, interest rate, term, payment amount, and when if any balloon payment may be due. If the note(s) specifies an adjustable rate, please include current rate and payment amount.
- 4) Please provide a copy of a **Payoff Statement(s) for the current loan(s)**, no older than 30 days.
- 5) Please provide a copy of the **Title Report**.
- 6) Please provide a copy of the **Property Appraisal**.
- 7) Is the borrower the owner and occupant of the property? Yes___ No___
- 8) Are the property taxes current? ... Yes___ No___
- 9) Are any property taxes to be paid from loan proceeds? Yes___(\$___) No___

Name & Address of Lender (to be named on the subordination agreement):

Borrower Information:

- 1) Please provide the signed and dated **Subordination Application**.
- 2) Please provide the completed **Financial Statement**.
- 3) Please provide copies of **20__ Federal Income Tax Returns** (including copies of W-2's) and/or copy of **20__ Retirement Income Award Letter** or copy of year-end 1099 form and/or copy of **20__ DSHS Award Letter** (whichever is applicable) for all filing household members.
- 4) Please provide a copy of current **Fire/Hazard Insurance Declaration** on the property, which must show the City of Spokane listed as a loss payee (mortgagee).

Name of Lender Representative: _____

Date: _____

**FINANCIAL INFORMATION FORM - DEFERRED LOAN REVIEW
SPOKANE HOUSING REHABILITATION PROGRAM**

Name (1) _____
 Last _____ First _____ Middle _____ Date Of Birth _____ Social Security No _____

Name (2) _____
 Last _____ First _____ Middle _____ Date Of Birth _____ Social Security No _____

Address _____ Zip _____ Phone _____

Employer (1) _____
 Company Name _____ Address _____ Phone _____ Years _____

Employer (2) _____
 Company Name _____ Address _____ Phone _____ Years _____

Persons Residing In House: _____
 Number of Adults _____ Number of Children _____

**GROSS HOUSEHOLD ANNUAL INCOME
FOR PRIOR YEAR (BEFORE DEDUCTIONS)**

List all sources of income:

Salary/Wage	\$
Social Security	\$
Retirement/Pension	\$
Veteran Pension	\$
Public Assistance	\$
Investments	\$
Interest	\$
Rent	\$
Other-List other sources of income:	
_____	\$
_____	\$
_____	\$
TOTAL ANNUAL INCOME	\$

HOUSING EXPENSES:

List the following expenses:

Monthly Mortgage Payment, principal & interest)	\$
Property Taxes	\$
Property Insurance	\$
Please provide copies of statements for the above household expenses.	
Value of assets other than home: (over \$1000: vehicles, savings)	\$
Number of bedrooms in home:	_____

I hereby certify, under penalty of perjury, that the above information is true and correct as of this date. I further authorize the City of Spokane or its authorized representative to have access to any and all financial records, including Federal Tax Returns, for the purpose of verifying my/our gross annual income and assets.

I further certify, that the house remains occupied by at least one of the Housing Rehabilitation Loan Borrowers.

Signed (1) _____ Date _____

Signed (2) _____ Date _____

If you have questions regarding this form, call 625-6325. When complete, return this form to:

**Community Development Department, Room 650
808 W Spokane Falls Blvd.
Spokane, WA 99201-3339**

RE: City of Spokane Housing Rehabilitation Loan #

Dear Homeowner:

This letter is to inform you that we have recently been contacted by **(Lender's name)** regarding a home loan refinance that you may be considering with their company. The reason for their contact with us is to request the City subordinate your housing rehab loan if your refinance is completed. Basically what that means is that the City would agree to let our loan fall into second place behind their new loan in terms of our lien on your property. Generally, a subordination is not allowed. However, we may consider the request if the following conditions are met:

You, as the borrower, must continue as the owner occupant of the house.

The refinance will **lower your monthly payment and reduce the interest rate** (which must be a fixed rate) **OR shorten the term of the loan** without increasing your monthly payment.

Your current gross household annual income is at or below 80% of Median Family Income as published annually by HUD.

The refinance is **only for the amount of your existing loan(s)** (other Mortgages or Deeds of Trust on your property) **that are prior and superior in lien position to the City's loan. No cash back to you is allowed.** No refinance of existing or proposed consumer debt (loans you may have or want for other purchases).

Your property taxes must be current and the hazard/fire insurance for the replacement value of your home must be in effect with the City of Spokane named on your policy as a loss payee.

We will be requesting the lender submit proof of all of the above items as well as other financial and loan documentation if they think the refinance meets our guidelines. Upon receipt of all information, we will review it and determine if a subordination can be granted. Please be advised that it may take up to 2 weeks for a decision to be made. If the subordination is approved it requires up to an additional 2 weeks to process the subordination documents and obtain the required signatures.

Please note that home lender's interest rates, fees and costs vary greatly, so the best way to protect yourself is to shop around for the best loan package before you sign anything or pay any fees.

Sincerely,

City of Spokane
Community Development Department