

## Attachment A

### Residential Loan Subordination Policy

#### A. Processing/Review Fee

1. The City will be entitled to charge a reasonable fee for processing and review of each occasion where subordination is requested, even if there are multiple loans to be subordinated for a property. If a subordination request is resubmitted because of a change in the loan amount, an additional charge may be imposed. The Servicer must submit the fee at the time of the request.
2. The Servicer of a CPED loan is entitled to a reasonable fee for processing a subordination request. The Servicer may charge an additional fee per document for each additional loan.
3. The maximum amount of the City and Servicer fees and any subsequent changes must be approved by the Director of CPED.

#### B. Conditions for Subordination

Subject to conditions identified below, subordination may be granted to permit the mortgagor to benefit from a refinance involving an interest rate reduction, a shortened term of their primary mortgage loan, and/or a reverse mortgage. This refinance may include any and all debt that is superior to ~~the~~ CPED's loan debt in lien status and may also include cash from the equity of the home. **Except as identified under number three below**, in no instance may the combined loan-to-value (CLTV) of ~~the~~ CPED's loan and any loan(s) that would be superior in lien status exceed 100% after the new refinance is closed.

1. If the amount of the new mortgage will result in a CLTV that is above 80%, cash may only be obtained to complete repairs and improvements to the home. Any cash proceeds must be escrowed with the mortgage company or title insurance company, and cash disbursements may only occur after construction work is completed. Any remaining proceeds left over after the work is completed may go for additional work to the home or it must be paid to the ~~Ss~~servicer of the mortgage loan to reduce the principal balance of the loan. To avoid ~~closing~~ and escrowing the home improvement funds, the borrower may complete the project prior to closing and then obtain a refinance that includes ~~ing~~ the cost of the work that was completed. The borrower must clearly document all the expenses associated with that work by submitting applicable receipts. No reimbursement may occur for the borrower's own labor or for tools and equipment, except equipment rental. All work must be considered permanent attachments to the home.
2. If the amount of the new mortgage will result in a CLTV that is 80% or less, the mortgagor may obtain cash without the completion of home repairs or improvements.
3. If the new mortgage is a reverse mortgage, the City will only approve the subordination of its debt if the refinance is being done for one or more of the following reasons:
  - a. To pay all of the delinquent property taxes currently due on the property.

**b. To provide the borrower with cash to repair or improve their home as described in paragraph 1 above.**

**c. To eliminate monthly mortgage (P&I) payments, to free up monthly income which is needed to maintain their home as determined by City staff. The borrower will be required to demonstrate that the freed up income is needed for this purpose.**

4. The borrower may not receive proceeds from the refinance transaction, except as reimbursement for expenses incurred during the loan refinance process, ~~i.e.~~ e.g. credit report and appraisal fee). If any excess cash is identified as a result of changes in the closing transaction, all such funds must be applied to the principal balance of the new loan.
5. CPED reserves the right to deny any subordination request it deems not in its best interest.
6. The original signed subordination document may not be released ~~by the Servicer to the mortgage company or title company until the loan is closed. Upon receipt of the signed HUD-1 Settlement Statement (signed by the mortgagors and the closer) the executed subordination agreement can be forwarded to the title company for recording. A copy of the recorded document must be returned to the Servicer when available until the City receives its required fee(s).~~

#### **C. Required Documentation**

The following documentation will be required to process/review loan subordination requests:

1. Outstanding principal balance of current loans(s), monthly payment(s), interest rate and remaining term. Please indicate whether payment quoted is PI or PITI.
2. Correct legal description of property.
3. New mortgagee name as it will appear on the Note and Mortgage and name and phone number of the loan representative for the new mortgage.
4. Amount of the new mortgage, monthly payment (PI), interest rate, and term.
5. Proof of the present value of home (current appraisal, or if Streamline Refinance, a copy of the current County Assessor Tax Value Statement).
6. Copy of Good Faith Estimate
7. Copy of Title Insurance Commitment.
8. Completed CPED Lender Data Request Sheet.

#### **D. Neighborhood Revitalization Program Requirement to Review Policy Changes**

Any changes to the policy for subordination of City loans that could affect a loan originated through an NRP sponsored program will be reviewed and approved by the **NRP NCR**