

CITY OF FLORISSANT
Community Development Block Grant (CDBG) Program
SUBORDINATION POLICY

BACKGROUND

The purpose of the First Time Home Owner program is to provide low-to-moderate income homeowners with federal funds to purchase their homes. When a request to subordinate a First Time Home Buyer loan is received, the Community Development staff must determine whether the request affects the security of the loan, whether the request protects the homeowner against predatory lending, and whether the new loan is in their best interest. The First Time Home Buyer Deed of Trust will only be subordinated under one of the following two conditions:

TERMS AND CONDITIONS

1. The senior mortgage that is being refinanced was structured as a balloon note and it has reached its maturity AND:
 - a. The new loan amount does not exceed the current balance of the existing mortgage (principal, interest and all amounts advanced by the lender under its loan documents, e.g. insurance, taxes, etc.) AND
 - b. Refinancing costs and points do not exceed 5% of the loan balance AND
 - c. The property value is equal to or exceeds the amount of the new loan plus the outstanding balance of the HI Deed of Trust.

-OR-

2. The interest rate on the senior mortgage is being reduced by at least 1% AND:
 - a. The new loan amount does not exceed the current balance of the existing mortgage (principal, interest and all amounts advanced by the lender under its loan documents, e.g. insurance, taxes, etc.) AND
 - b. Refinancing costs and points do not exceed 5% of the loan balance AND
 - c. The property value is equal to or exceeds the amount of the new loan plus the outstanding balance of the HI Deed of Trust.

The City of Florissant will not subordinate to the refinance of a first mortgage which includes the consolidation of debts or cash out.

The City of Florissant will not consider a subordination request from a Homeowner in the First Time Homebuyer Program until one year from the date of the final inspection on the home.

The City of Florissant will only subordinate once during the five year Loan period.

The City of Florissant will not subordinate to adjustable rate loans. The back end ratios for new loans must not exceed 36% for Conventional loans and 43% for FHA loans. Taxes and insurance payments must be escrowed, and considered in these ratios.

HOMEOWNER REQUIREMENTS

The homeowner must attend a credit counseling session with an approved housing counseling agency prior to consideration of the subordination request.

The homeowner must contact the Community Development office to initiate the subordination request.

DOCUMENTATION:

The following documentation must be received by the City of Florissant in order to evaluate the eligibility under the subordination policy:

1. "Written request to the City of Florissant for Subordination of the First Time Home Buyer program" signed by the Homeowner(s), reason for the request and provide lender information (including name, address, phone and fax numbers "Subordination Worksheet" completed by the Lender,
2. "Document Submittal Worksheet" completed by the Lender,
3. First two pages of the appraisal,
4. A projected settlement statement (HUD-1) for refinance, estimating all closing costs,
5. Loan commitment letter from new lender stipulating rate and term of the new loan.

PROCESSING FEE

A non-refundable processing fee of \$100 payable to the City of Florissant is required for all requests for subordinations.

NOTE: This process may take up to 10 working days. Please plan accordingly.

THERE ARE NO EXCEPTIONS TO THE ABOVE STATED POLICY.