



CDBG/HOME/ADDI PROGRAM POLICY AND PROCEDURES MANUAL

SUBJECT: HOMEOWNER LOAN SUBORDINATION POLICY

Policy:

The Dane County CDBG Program will consider a loan subordination request from an individual borrower who has a loan with Dane County where the subordination results in the following:

1. Simple refinancing, such as interest rate reduction and/or making a change to a mortgage loan product (when a balloon or ARM matures and the borrower switched to a fixed product.).

Cash out financing requests will not be considered.

Other guidelines include:

2. A non-refundable fee of \$150.00 will be submitted with the subordination request (check payable to Dane County).
3. The new first mortgage loan cannot exceed the current mortgage balance secured ahead of the County loan (excluding reasonable lenders fees).
4. Lender fees, such as closing costs, may be rolled into the new loan.
5. The new total loan-to-value ratio cannot exceed 95%.
6. The Dane County loan will be in no less than second position.
7. An escrow for taxes and insurance must be included in the loan.
8. Any land use restrictions must remain in place until the period of affordability is completed.
9. The County will agree to a subordination for a simple refinance no more than once in any 12-month period.
10. The County will require a minimum of 10 working days to review the documents and an additional 5 working days to make a determination.
11. The Dane County Executive or Dane County Clerk is authorized to sign subordination agreements on behalf of the County.

Procedures:

Forms Needed

Subordination Worksheet

Responsibility

Action

Borrower or Lender

1. Makes a request for subordination of a loan to the CDBG/HOME Program Specialist.

CDBG/HOME Program Specialist

2. Provides information to the Lender and/or Borrower regarding the Subordination Policy and Procedures.

Borrower

3. Submits a written letter requesting the subordination and explaining why he/she wants to refinance. This letter should state that the borrower understands all loan terms including all loan amounts, interest rates/terms, and the new loan product.

Borrower/Lender

4. Submits a non-refundable fee of \$150.00 with the subordination request. (Check is payable to Dane County).

Lender

5. Submits the following documents:

a. A mortgage commitment letter, specifically detailing the terms and conditions of the new loan, total loan amount, interest rate, and loan product. They will also state in the cover letter that they understand that the Dane County mortgage will remain in no less than second position and that an escrow for taxes and insurance must be included in the loan. If there is a land use restriction on the property, the letter from the lender must also state that they understand the land use restriction will remain in place until the period of affordability is completed.

b. Copy of the loan application that includes the borrower's current mortgage loan balance and monthly payment.

c. Copy of the title commitment

d. Copy of the appraisal.

CDBG/HOME Program Specialist

6. Reviews the file and all submitted materials, confirms the exact legal names, and completes the Subordination Worksheet.

<u>Responsibility</u>	<u>Action</u>
CDBG/HOME Program Specialist	7. Makes a determination to approve/disapprove the loan subordination request.
Manager	8. Reviews the materials and discusses the determination with the CDBG/HOME Program Specialist.
CDBG/HOME Program Specialist	9. If disapproved, notifies borrower and lender of the disapproval and rationale.
CDBG/HOME Program Specialist	10. If approved, executes the subordination loan agreement and faxes a draft to the Lender.
Corporation Counsel	11. Reviews the prepared agreement and file checking names, parcel numbers, legal description, recording information, loan amounts, and that the new lender's name reflected in the subordination agreement is a legal entity.
CDBG/HOME Program Specialist	12. Gathers the required signatures.
County Executive/County Clerk	13. Signs the agreement on behalf of the County.
CDBG/HOME Program Specialist	14. Notifies the borrower and lender that the subordination loan agreement has been signed.
Lender	15. Picks up the subordination agreement and signs agreement to expediently file with the Register of Deeds and to provide the County a copy of the HUD 1 Settlement Statement.
Lender/Title Company	16. Files the subordination loan agreement with the Register of Deeds Office.
Lender	17. Submits the HUD 1 Settlement Statement to the County CDBG/HOME Program Specialist.

Items to be retained in Property File maintained by the County

Recorded Original Mortgage for the County
Original, signed Deferred Note
Signed letter from borrower requesting subordination
Mortgage Commitment Letter from Lender
Signed loan application
Title Commitment
Appraisal
Subordination Worksheet
Recorded Subordinated Mortgage Agreement
If HOME funded project or activity: Homebuyer or Homeowner Set Up and Completion Form
If HOME funded project or activity: HOME Written Agreement
Lender agreement to expediently record mortgage
HUD 1 Settlement Statement

SUBORDINATION WORKSHEET

Name: _____ Date: _____
 Address: _____ Closing Date: _____
 _____ Check No: _____

Dane County Loan Amount	
Original First Mortgage Amount	
Original Appraised Value	
Requested First Mortgage Amount	
Current Appraised Value	
New Total Loan-to-Value (can not exceed 95%)	
Housing Debt Income (PITI:Income)	

Required Documents: Borrower Letter

<input type="checkbox"/>	Signed by Borrower
<input type="checkbox"/>	Gives reason for refinance
<input type="checkbox"/>	States borrower understands terms
Reason for Refinance:	

Required Documents: Lender

<input type="checkbox"/>	Mortgage commitment letter
<input type="checkbox"/>	Details terms and conditions of the new loan, total loan amount, interest rate, and loan product
<input type="checkbox"/>	States in the cover letter that they understand that the Dane County mortgage will remain in no less than second position
<input type="checkbox"/>	An escrow for taxes and insurance is included in the loan
<input type="checkbox"/>	If there is a land use restriction on the property, the letter from the lender must also state that they understand the land use restriction will remain in place until the period of affordability is completed
<input type="checkbox"/>	Loan application signed by borrower
<input type="checkbox"/>	Includes current mortgage loan balance
<input type="checkbox"/>	Includes monthly payment amount
<input type="checkbox"/>	Title Commitment
<input type="checkbox"/>	Appraisal

Reviewer: _____