



City of Delray Beach

100 N.W. 1st Avenue
Delray Beach, FL 33444

Cover Memorandum/Staff Report

File #: 21-179

Agenda Date: 3/2/2021

Item #: 6.C.

TO: Mayor and Commissioners
FROM: Sam Walthour, Interim Director, NCS
THROUGH: Jennifer Alvarez, Interim City Manager
DATE: March 2, 2021

REQUEST FOR SUBORDINATION OF SECOND MORTGAGE FOR 2115 SW 13th STREET

Recommended Action:

Motion to Approve a request for the City to subordinate its second mortgage position in the amount of \$8,344.95 for the property located at 2115 SW 13th Street.

Background:

Mr. Eric Bennett participated in the City's State Housing Initiative Partnership Program (SHIP) in August 2015. Subsidies provided for the purchase assistance program through the Neighborhood Services Division are secured by a promissory note. All deferred payment loans require the applicant to maintain ownership/residence for a specified period according to the amount of the grant. Loan amounts less than \$35,000 have a recapture period of fifteen (15) years.

Mr. Eric Bennett has secured a new mortgage company and is approved to modify the current loan by reducing the interest rate from 4.25% to 3.375%, increasing the monthly payment (including taxes and insurance escrows) from \$1,249.00 to \$1,343.26; however, homeowner still at a ratio below 40% of the area median income and reducing the total interest to be paid over the term of the loan by \$62,819.85.

The City's decision whether or not to subordinate is rendered on a case-by-case basis with the primary objective being "increasing the affordability of housing". The action before City Commission is authorization and approval to subordinate its existing second mortgage loan to Mr. Eric Bennett's new loan, thereby enabling Mr. Bennett to modify his mortgage to reduce the interest rate and total interest obligation. If approved by the Commission, the City will continue to be in the second secured position behind the new first mortgage loan. There is no debt consolidation or cash-out involved in this refinancing; the lower interest rate will increase the affordability of his home which meets the intent of the program.

City Attorney Review:

Approved as to form and legal sufficiency.

Finance Department Review:

Finance recommends approval.

Funding Source:

No funding is necessary.

Timing of Request:

This request is urgent to meet homeowner's deadline to close on the refinance loan with lender.