CITY OF DELRAY BEACH
NEIGHBORHOOD SERVICES DIVISION

Housing Programs Subordination Policy

A homeowner assisted by the City of Delray Beach, Neighborhood Services Division, Housing Programs (Programs) may not refinance his or her first mortgage or take out a second mortgage unless the City agrees to subordinate its second mortgage. The policy used by the City of Delray Beach regarding a subordination request is as follows:

- If the owner wants to refinance the first mortgage at a lower rate and/or for a shorter loan term, the City will subordinate if:
  - additional money isn't being borrowed (unless its for home repair or reasonable improvements)
  - the resulting housing cost (PITI) does not exceed the housing cost (PITI) calculation of the original loan
  - the new loan is for a fixed interest rate

- If the owner is taking out a second mortgage for necessary home repairs or reasonable improvements, the City will subordinate if:
  - the combined payments of the first and second mortgages do not exceed 35% of gross income
  - the loan is for a fixed interest rate

- The City will not subordinate its mortgage for owners attempting to obtain a line of credit or consolidate debt because this would enable them to increase their debt for purposes other than home improvement. The City maintains that:
  - Second mortgages are provided under the Programs to assist with homeownership
  - Forgivable loans are provided under the Programs for the exclusive purpose of rehabilitating, enhancing and/or preserving real estate

- The City does not support the owner using equity for any items other than the house itself. If the purpose of the new loan is for home repair or reasonable improvements, the need must be substantiated by an inspection of the property by a City of Delray Beach housing rehabilitation inspector and/or estimates for the proposed repairs furnished by the homeowner.

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1. The party requesting the subordination must provide the City of Delray Beach Neighborhood Services Division the following information and documentation:

   - legal description of the property
   - copy of an appraisal of the property
   - copy of the title report conducted by the lender requesting the subordination
   - amount of equity in the home
   - copy of HUD-1 or other document that will provide loan disbursement information
   - resulting housing cost (PITI)
   - type of loan (fixed, variable, balloon, etc.) and interest rate
   - Subordination Agreement

2. The Neighborhood Services Division shall review the above information and, if the request adheres to City policy, present the Subordination Agreement to the City Attorney's Office for review. The Neighborhood Services Division shall place the subordination request on the Consent Agenda for the City Commission Meeting and send the Subordination Agreement to the City Clerk's Office for the Mayor's signature.

3. Once the subordination request is approved by the City Commission and the Subordination Agreement is signed by the Mayor, the Neighborhood Services Division shall follow through with the instructions provided by the lender as it relates to the mailing and/or faxing of the executed Subordination Agreement. The lender should provide the City with a recorded copy of the Subordination Agreement.