

**CITY OF DELRAY BEACH
NEIGHBORHOOD SERVICES DIVISION**

SUBORDINATION POLICY AGREEMENT

A homeowner assisted by the program 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 program 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.

I have read and understand the above policy:

Owner Signature

Owner Signature

Date

Date