



Cover Memorandum/Staff Report

File #: 19-605

Agenda Date: 7/2/2019

Item #: 6.B.

TO: Mayor and Commissioners
FROM: David Weatherspoon, Interim Director, Neighborhood and Community Services
THROUGH: Neal de Jesus, Interim City Manager
DATE: July 2, 2019

REQUEST FOR SUBORDINATION OF SECOND MORTGAGE FOR 810 NW 21st WAY

Recommended Action:

Motion to Approve a request for the City to subordinate its second mortgage position in the amount of \$50,000 for the property located at 810 NW 21st Way Delray Beach, FL 33445.

Background:

Mr. Levins' participated in the City's Neighborhood Stabilization Program (NSP) in December of 2012 and received a subsidy. Subsidies provided for purchase assistance through the Neighborhood Services Division are secured by a mortgage and promissory note. All deferred payment loans require the applicant to maintain ownership/residence for a specified period according to the amount of the grant. This request meets the criteria under the subordination policy. If the owner is taking out a second mortgage for necessary home repairs or reasonable improvements, the City will subordinate if:

1. Request conforms with Subordination Policy - attached - See highlighted section
 - a. Subordination for home repairs or reasonable improvements is allowed
 - b. According to policy combines payments cannot exceed 35% of gross monthly income:
 - i. Gross monthly income of applicant is \$3,640
 - ii. First mortgage is \$786.00
 - iii. New second line of credit will be \$219.28
 - iv. Total new payment will be \$1005.28 (\$786 + \$219.28) which is below 35% of total monthly gross
 - v. 35% of total monthly gross would be \$1274
 - c. The loan is for a fixed rate of 6.25% and meets policy requirement
2. This item is time sensitive to lock in mortgage rate

Mr. Levins' has elected to obtain a home equity line of credit (refinance) and lender has agreed to provide \$29,691.76 for home improvements which is an allowable use of the policy.

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". There is no debt consolidation or cash-out involved in this transaction and the improvements will increase the property value of his

home which meets the intent of the program. This request maintains the City's mortgage in second position and allows Mr. Levin's to obtain a line of credit for home repairs and meets the criteria of the subordination.

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 ASAP.