



Legislation Details (With Text)

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File created:	1/20/2017	In control:		City Commission	
On agenda:	2/7/2017	Final action:		12/31/2023	
Title:	REQUEST FOR SUBORDINATION OF SECOND MORTGAGE FOR 243 SW 4TH AVENUE				
Sponsors:	Community Improvement				
Indexes:					
Code sections:					
Attachments:	1. Subordination Agreement, 2. City of Delray Bch Subordination_Policy #1, 3. CD Updated, 4. Title Report, 5. Appraisal Report, 6. Subordinate Balloon Mortgage				

Date	Ver.	Action By	Action	Result
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TO: Mayor and Commissioners
FROM: Michael Coleman, Director, Community Improvement
THROUGH: Chief Neal de Jesus, Interim City Manager
DATE: February 7, 2017

REQUEST FOR SUBORDINATION OF SECOND MORTGAGE FOR 243 SW 4TH AVENUE

Recommended Action:

Motion to Approve a request for the City to subordinate its second mortgage position in the amount of \$10,908.10 for the property located at 243 SW 4th Avenue.

Background:

Ms. Thomas participated in the City's State Housing Initiatives Partnership Program (SHIP) under its Subrecipient Housing strategy in April 2009. 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. Loan amounts less than \$35,000 per unit have a recapture period of fifteen (15) years.

Ms. Thomas' mortgage company has agreed to modify the current loan by reducing the interest rate from 5.375% to 3.750%, increasing the monthly payment (including insurance and tax escrows) from \$1,145.35 to \$1,305.02 and reducing the term of the loan from 30 years to 15 years. However, it reduces and captures a cost savings of \$202,368.80 over the term of the loan. There is also a 3rd mortgage from the Florida Hardest Hit Program through the Florida Housing Finance Corporation in the amount of \$42,000 that was recorded in 2013 that has approved the subordination request.

Ms. Thomas' originally submitted a subordination request in September 2016 from BBT Bank and it was approved at the October 4, 2016 commission meeting. However, she was able to find a better interest rate for a shorter term and therefore did not go forward with that subordination. If approved

by the Commission, the City will continue to be in the second secured position behind the new first mortgage loan.

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". This request maintains the City's mortgage in second position and allows Ms. Thomas to refinance the current first mortgage. 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 the homeowner's deadline to close on the refinance loan with lender in March 2017.