



## Legislation Text

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File #: 17-447, Version: 1

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**TO:** Mayor and Commissioners  
**FROM:** Michael Coleman, Director, Community Improvement  
**THROUGH:** Chief Neal de Jesus, Interim City Manager  
**DATE:** May 16, 2017

REQUEST FOR SUBORDINATION OF SECOND MORTGAGE FOR 218 SE 4<sup>th</sup> Avenue

**Recommended Action:**

Motion to Approve a request for the City of Delray Beach ("City") to subordinate its second mortgage position in the amount of \$32,241.05 for the property located at 218 SE 4<sup>th</sup> Avenue.

**Background:**

Ms. Mankoff participated in the City's Community Development Block Grant (CDBG) under its Rehabilitation Strategy in March of 2013. Subsidies provided for rehabilitation assistance through the Neighborhood Services Division are secured by a Housing Rehabilitation Agreement. 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. Mankoffs' mortgage company has agreed to modify her current loan by reducing the interest rate from 6.375% to 4.750%, decreasing the monthly payment (including insurance and tax escrows) from \$596.44 to \$402.72. Also decreasing the total interest to be paid over the term of the loan by \$67,779.20. The action before the City Commission is authorization and approval to subordinate its existing second mortgage loan to Ms. Mankoff's new loan, thereby enabling Ms. Mankoff to modify her mortgage to reduce the interest rate and total interest obligation. If approved by the City 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. Mankoff 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 homeowner's deadline of May 25, 2017 to close on the refinance loan with lender.