



Agenda Item Summary

File #: RES 18-833, **Version:** 1

Submitted By

Tammie Grossman, Director of Development Customer Services

Reviewed By

LKS

Agenda Item Title

A Resolution Authorizing the Execution of a Subordination of Mortgage (SFR-056).

Overview

The loan recipient is requesting a subordination of a Single Family Rehab Loan to a new first mortgage. The Village remains secure in a junior position on the title.

Staff Recommendation

Approve the Resolution.

Fiscal Impact

There is no impact on the General Fund. The loan was funded by returned Community Development Block Grant (CDBG) funds. The funds must be used for this purpose or returned to the Federal government. The only additional cost is staff time to prepare the subordination and assignment which are also reimbursed by CDBG.

Background

On April 7, 2014, pursuant to the single Family Housing Rehabilitation Loan Program, the Board of Trustees approved a \$24,999 loan to the owner of 719 Lyman Avenue. The loan is supported by a mortgage which was recorded against the property. The mortgage was recorded as a junior mortgage on the property with the purchase loan mortgage being in first position

Loans made under the Single Family Rehab program are deferred for repayment for 20 years or until conveyance or transfer of any interest in the property, whichever occurs first. The program guidelines provide that in cases where a former loan recipient wish to refinance mortgages other than the Village's, and request that the Village maintain its subordinate position, the Village will agree to maintain its junior position if:

- a. The terms of the new first mortgage are more advantageous to the homeowner and are reasonable under current market conditions; and
- b. There is adequate equity in the property to support the total proposed encumbrance, at least 10% equity (the homeowner(s) has submitted an appraisal as proof of equity); and
- c. The cost of the refinance is the only allowable equity taken out of the property.

However in this case the homeowner is taking funds out of equity in the home for a consolidation of credit card debt in addition to the refinance of the property. The homeowner has a medical condition that has required frequent hospital stays and travel to Mayo Clinic in Minnesota. She had to use her credit card for her

travel expenses and for her medical treatment. We are recommending that an exception be made to this requirement because of the hardship it would place on the homeowner.

The homeowner is seeking to refinance her existing second mortgage (\$5,488) with Forest Park Bank and roll the credit card balance (\$15,000) used for medical expenses into this second mortgage which has a rate of 5.25%, dropping her total monthly payments to \$535. The existing first mortgage is \$180,100; the new second mortgage from Forest Park Bank is \$20,488; the Village of Oak Park loan is \$25,000 for a total lien of \$225,588. The appraisal came in at \$282,000 resulting in a total loan to value of 80%.

Alternatives

The alternative would be to deny the subordination request which would result in the homeowner being unable to obtain a second mortgage, or would require them to repay the Village loan, which would decrease the equity in their home and increase their monthly mortgage payments

Previous Board Action

On April 7, 2014, the Board approved the Single Family Home loan.

Citizen Advisory Commission Action

N/A

Anticipated Future Actions/Commitments

N/A

Intergovernmental Cooperation Opportunities

N/A

Performance Management (MAP) Alignment

A Governance Priority established for the Development Customer Services Department Division of Neighborhood Services is Multi-family and Single Family Grant and Loan Programs.