



## Agenda Item Summary

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**File #:** RES 19-256, **Version:** 1

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### Submitted By

Tammie Grossman, Director of Development Customer Services

### Reviewed By

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### Agenda Item Title

**A Resolution Authorizing Subordination Of A Lien For The Property Located At 1018 South Taylor Avenue (BPIP-024)**

### Overview

The loan recipient is requesting a subordination of their Barrie Park Investment Program loan mortgage to a new first mortgage. The Village remains secure in junior position on the title.

### Recommendation

Approve the resolution

### Fiscal Impact

There is no impact on the General Fund. Staff time to prepare the subordination and assignment are the only cost to the Village.

### Background

On November 1, 2004 pursuant to the Barrie Park Investment Program, the Board of Trustees approved a \$15,000 grant and a \$15,000 loan to the owner of 1018 South Taylor 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 Barrie Park Investment Program are deferred for repayment until conveyance or transfer of any interest in the property. The program guidelines provide that in cases where former loan recipients 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:

- The terms of new first mortgage are more advantageous to the homeowner and are reasonable under current market conditions; and
- There is adequate equity in the property to support the total proposed encumbrance, at least 15% equity. (if necessary, homeowner(s) will submit an appraisal as proof of equity); and
- The cost of the refinance is the only allowable equity taken out of the property.

In cases of extreme hardship, staff may recommend that the Board consider subordination when the homeowner is requesting cash back from the refinancing and the equity taken out is being used for emergency

home repairs. The homeowner shall provide a written statement describing the emergency.

The homeowner is seeking to refinance their current primary mortgage and consolidate debt. The current mortgage, which carry a 4.375% interest rate, will be replaced with a new secondary mortgage at 3.75% interest rate. This new loan will provide Fixed Rate, 15 year mortgage. The amount of the new loan will be \$247,000.00.

The issuing lender will not make the loan unless that mortgage is the second mortgage lien against the property. The lender is requesting that the Village subordinate its mortgage to their new mortgage. The Village's mortgage was created as a junior mortgage. By agreeing to subordinate, the Village is agreeing to remain in a junior position.

According to bank appraisal, the property has an estimated value of \$448,000. The balance on the first mortgage of \$212,684 and the Village's \$15,000 mortgage equal total debt of \$227,684, leaving 49.2% equity. Staff believes that there is sufficient equity to protect the Village's investment and is recommending the subordination.

The request complies with the Village guidelines requirements

#### **Alternatives**

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#### **Previous Board Action**

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#### **Citizen Advisory Commission Action**

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#### **Anticipated Future Actions/Commitments**

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#### **Intergovernmental Cooperation Opportunities**

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