

City of Clearwater
Loan Subordination Policy
Revised – November 2005

In general, the City of Clearwater does not subordinate mortgages made using CDBG, HOME and SHIP funds. However, under the following circumstances, the City will consider taking a subordinate position:

1. The original borrower continues to own and occupy the home as its primary residence, and
2. The original borrower is experiencing financial hardship which would be benefited by securing a lower interest rate on his or her first mortgage accompanied by lower monthly payments, and
3. The new monthly payment includes escrows for taxes, and insurance, and represents between 30% - 35% of a borrower's gross monthly income.
4. The new first mortgage interest rate is at least two percentage points below the original first mortgage, and/or as a result of the monthly savings, the borrower should be able to recoup (break-even) the loan closing costs within 3-5 years.
5. The new loan's origination fee, points, commitment fees, buy down fees and other lender charges do not exceed 2% of the loan amount, and
6. The new first mortgage is a permanently fixed rate mortgage with no balloon payments and no pre-payment penalty. Terms may be made for as few as ten years, and may go up to thirty years as applicable based on the original loan balance and the term remaining on the original note.
7. The borrower does not receive any cash out for any purpose, including but not limited to, home improvement loans, bill consolidation loans, lines of credit, future advances, personal loans, medical collections, other mortgages or encumbrances or liens.
8. The borrower must have sufficient equity in the home so as not to displace the City beyond a 95% loan to value ratio.
9. If the borrower has a payment type loan, the account must be current.
10. Property Taxes must not be delinquent.
11. Borrower must submit proof of homeowner's insurance.

Borrowers interested in seeking approval from the City's Housing Division to subordinate a first mortgage must:

1. Write the City of Clearwater's Housing Division requesting the City subordinate to their lender and authorize the lender to receive information regarding their loan for the purposes of the refinance.
2. The Lender must provide the details of the loan being requested such as a copy of the truth in lending statement, a copy of the appraisal and a copy of the projected settlement costs.
3. Provide additional information as need to establish that the loan is strictly for a reduction in payment/interest rate and that the lender is not charging rates or providing terms that will in some way fall under the category of predatory lending practices.

4. The City must review a copy of the HUD-1 Closing Statement prior to release of the City's executed Subordination Agreement. If a title company faxes the HUD-1 to the City when completed, and supplies their FedEx (or any overnight carrier) account number, the City will overnight, or fax, if acceptable, the executed Subordination Agreement, if in agreement with the figures on the HUD-1.
5. All request for subordination must be made at least ten (10) days prior to closing.

This Loan Subordination Policy may be amended from time to time. For the most up to date version please contact the City of Clearwater – Economic Development & Housing Department at 727.562.4030.

I have read the above City of Clearwater – Subordination Policy and understand the terms and conditions of the policy.

Borrower

Date

Borrower

Date