

MCDA SUBORDINATION POLICY

Policy subject to change at any time without notice.

PROCESSING/REVIEW FEE:

A \$100.00 processing/review fee will be charged by the MCDA for all subordination requests. Multi-document transactions require an additional \$50.00 per document. The fee must be submitted with request package. (Fees are subject to change.)

CONDITIONS FOR SUBORDINATION

Regardless of whether or not a loan was subordinated prior to April 1, 2003, the MCDA will subordinate any existing loan **one time only** after April 1, 2003 subject to the following conditions:

1. Since April 1, 2003, the borrower must not have previously received a subordination of the MCDA loan being subordinated.
2. A subordination may be granted to permit the mortgagor to benefit from an interest rate reduction or to shorten the term of their primary mortgage loan. This refinance may include any and all debt that is superior to the MCDA's debt in lien status provided the combined loan to value of the MCDA loan and any loan(s) in a superior position does not exceed 100%.
3. The borrower may seek a refinance to obtain proceeds from the equity of their home to complete repairs and/or improvements to that home. The combined loan to value of the MCDA loan and any loan that would be superior in lien status must not exceed 100%. All proceeds must be escrowed with the mortgage or title insurance company with disbursements made only after work is completed. Any excess proceeds left over after the work is completed may go for additional work to the home or it must be paid to the servicer of the mortgage loan to reduce the principal balance of the primary loan. (To avoid closing and then escrowing the home improvement funds, the borrower may complete the project prior to closing and then obtain a refinance including the cost of the work that was completed provided the borrower is able to document all the expenses associated with that work. No reimbursement may occur for the borrower's own labor and all work must be considered permanent attachments to the home.)
4. **Under no condition** may the borrower receive proceeds from the refinance transaction, except to reimburse expenses paid by the borrower during the loan process, i.e. credit report and appraisal fee. Any excess proceeds must be applied to the principal balance of their new loan.
5. MCDA reserves the right to deny any subordination request it deems not in its best interest.

REQUIRED DOCUMENTATION:

The following documentation will be required to process/review loan subordination requests:

- Outstanding principal balance of current loans(s), monthly payment(s), interest rate and remaining term. Please indicate whether payment quoted is PI or PITI.
- Correct legal description of property.
- New mortgagee name as it will appear on the Note and Mortgage and name and phone number of the loan representative for the new mortgage.
- Amount of the new mortgage, monthly payment (PI), interest rate, and term.
- Proof of the present value of home (current appraisal, or if Streamline Refinance, a copy of the current County Assessor Tax Value Statement).
- Copy of Good Faith Estimate
- Copy of Title Insurance Commitment.
- Completed MCDA Lender Data Request Sheet.

ORIGINAL SUBORDINATION AGREEMENT DOCUMENT:

Upon receipt of the signed HUD-1 Settlement Statement (signed by the mortgagors and the closer) the executed subordination agreement will be forwarded to the title company for recording. A copy of the recorded document must be returned to the MCDA when available.

If you have any questions about this procedure, please contact the Community Reinvestment Fund at (612) 338-3050. Fax (612) 359-6185.