

**RICHFIELD HOUSING AND REDEVELOPMENT AUTHORITY  
SUBORDINATION & SATISFACTION POLICY**

EFFECTIVE OCTOBER 2008

**Subordinations**

Richfield Housing and Redevelopment Authority (HRA) loan recipients requesting subordination of the interest of the HRA in real property must submit a Subordination Request Form, the required supporting documentation, and a processing fee. Forms are available on the City of Richfield website (<http://www.ci.richfield.mn.us/>) or by calling the Community Development Department at 612-861-9760. Requests will not be considered until all documents and the processing fee have been received.

**Required Documents**

The following information must be submitted with the Subordination Request Form:

1. A typed letter dated and signed by the mortgagor, stating the reason for the requested subordination and the use of any equity being removed as part of the loan transaction.
2. A copy of the current appraisal (dated within six months of application) or other evidence of market value of the property that is acceptable to the HRA.
3. A copy of current title work (must indicate all debt against the property).
4. Explanation of remaining debts or liens with supporting documentation (i.e. most recent mortgage bill).
5. Estimated closing costs/settlement statement, where applicable.
6. Additional documentation may be required.

**Evaluation Criteria**

The Richfield HRA will subordinate its mortgage interest if all of the following conditions are met, to the extent that they are applicable:

1. Closing costs are reasonable. Generally this shall mean that the sum of all discount points, origination fees, and lender ancillary fees generally shall not exceed 3% of the new first mortgage amount.
2. If the HRA believes that the payment terms of the refinance are within the financial means of the borrower.
3. The total debt secured by the property, including the HRA lien and all superior mortgages, does not exceed 80% of the documented market value of the property.
4. Any equity being removed beyond the cost of the loan transaction will be used to improve the property. A typed letter, dated and signed by the applicant, must be submitted stating the use of any equity being removed.

5. The overall value of superior debt must not be increased by more than 50%. Exceptions may be granted by the HRA in cases where superior debts are found to be unusually low with sufficient equity protection.
6. If no more than one subordination request has been approved by the HRA in the past five years.
7. Property taxes, if not escrowed by the superior mortgage holder, must be current.

The HRA will not subordinate to reverse mortgages. In most cases, interest-only loans or loans with interest-only options, revolving lines of credits or debt consolidation will not be allowed unless the HRA determines that an acceptable reason warrants this type of loan.

The HRA may approve other subordination requests not meeting the conditions above on a case-by-case basis that are clearly in the best interests of the HRA, where the security of the HRA loan remains acceptable, and denial of the request will cause or contribute to a documented hardship on the part of the borrower.

As a condition of approval, the HRA may require the Borrower to receive financial counseling. While many courses are available at no charge, the Borrower is responsible for any costs associated with the counseling. The course must be approved by the HRA.

### **Fees**

The non-refundable fee for a subordination request is established by the HRA. If the subordination request is denied, the fee will be returned with the letter explaining the reason(s) for denial. If an appeal is subsequently requested, the fee be retained and is non-refundable.

### **Processing**

Subordination requests will be processed by HRA staff, who will submit the request with a recommendation for action, to the Housing & Redevelopment Manager. The Manager may request review and final decision by the HRA. Requests for subordination should be submitted 30 days prior to the date the agreement to subordinate is needed. Exceptions may be made on a case-by-case basis.

### **Appeal Process**

In cases where a subordination request does not meet the Policy, staff may grant an administrative appeal under the following circumstances:

- Loan-to-value (LTV) ratio is greater than 80%, but no greater than 85%, and all other HRA policies are met;
- Equity being removed for anything other than property improvements does not exceed \$5000;
- The amount of financing ahead of the HRA lien does not increase; or
- Only one subordination agreement has been granted within the past five years.

If an application is denied, the applicant may request an appeal in writing. Appeals will be submitted by staff to the HRA at the next regularly scheduled meeting, provided the request is made at least 10 days prior to that meeting. The HRA meets on the third Monday of each month.

If the HRA grants an appeal outside the policy guidelines, the homeowners will be required to attend a financial counseling course. The course must be approved by the HRA and any costs associated with the counseling are the responsibility of the homeowners. The homeowners must provide proof of enrollment in an approved course or counseling before a Subordination Agreement is executed.

### **Satisfactions**

When a loan made by the HRA is paid in full, a document satisfying the lien will be prepared by the HRA and delivered to the borrower for recording. The borrower is responsible for the cost of recording the satisfaction.