



CITY OF CHICO
COMMUNITY DEVELOPMENT DEPARTMENT – HOUSING
PO Box 3420, Chico, CA 95927
411 Main Street, 2nd Floor, Chico, CA 95928
530-879-6300 phone, 530-879-6399 fax

City of Chico Mortgage Subsidy Program - Subordination on Refinance Information

Below is the information that we will need to determine whether we can subordinate to the new 1st mortgage. Generally, after meeting certain criteria, if the security of our loan is strengthened by reduced monthly payments and/or earlier payoff, we will subordinate. **We do not subordinate to take cash out on equity. Any escrow proceeds in excess of \$500 are to be applied to the first mortgage principal rather than cashed out to the borrower, unless excess is due to borrower deposit.**

Borrower's housing expense with the new loan including mortgage, any mortgage insurance, property insurance and taxes must be **at least 28% of gross monthly household income.** **If the housing expense falls below 28% of gross monthly household income, payments on the principal of the City's mortgage subsidy loan may be made to increase the ratio.**

Here is our general process:

1. Once we review the submitted information listed on the Subordination Request Checklist, including an \$99 application fee, and confirm the request meets with City requirements, approval for the subordination is requested of the City Manager and the borrower/lender is notified of the status of approval.

2. **Actual recordable Subordination Agreement is drafted by City upon receipt of new Note and Deed of Trust (must have COPY of actual documents borrower is to sign with updated Settlement Statement).** City Subordination Agreement is executed by borrower (in our office) and then routed to City Manager for signature. As long as there is clear communication as to when the first lender's documents will be ready, this process can be completed expeditiously, but could take at least five business days to secure all required signatures once lender documents received.

Evidence of hazard insurance listing the City of Chico as second mortgagee/loss payee must be provided to City. City of Chico, c/o Housing, PO Box 3420, Chico, CA 95927

3. Fully executed Subordination Agreement and a Request for Notice of Default for the new first mortgage, on behalf of the City of Chico will be sent to lender for recording along with instructions requiring that any proceeds of the escrow be used to pay down principal on new loan. Before these documents can be released, a \$76 Subordination processing fee due to the City will be collected from the borrower.

**** Please plan accordingly and allow plenty of time for initial review of Subordination Request, for lender/borrower to provide any missing and/or additional information requested, obtaining City Manager approval, lender to forward copy of final documents, preparation of agreement and City documents, obtaining City Attorney approval as to form, signing by borrower with notary, and agreement execution by City Manager with notary. All of this takes time, up to one month depending on staff availability, and should be planned for by lender.**