

HOMEOWNERS UNDERSTANDING OF GUIDELINES FOR SUBORDINATION REQUESTS FOR REHAB LOANS

The City of Hutchinson has authorized the Hutchinson Housing & Redevelopment Authority to process City Housing Loan Subordination Requests. The HRA Board appoints HRA Loan Committee members and authorizes the Loan Committee to recommend to the HRA Board to approve or deny subordination requests according to the following guidelines and process:

1. **NO CASH OUT**

Requests should be for refinancing of current home mortgage for a lower interest rate and/or for continuation of home improvements. No “wrapping in” of other debt to the new first mortgage is allowed. Closing Cost can be included in the loan but cannot exceed 3%.

2. **Loan to Value Ratio**

A combined loan to value ratio of all mortgages may not exceed 100%.

Value is to be established from either a professional appraisal (less than 1 year old) or current Estimated Market Value (EMV) established by the County. (50% of the value of the proposed improvements may be added to the appraisal or EMV.)

3. **Home Repairs or Improvements**

Written estimates/bids for proposed home repairs or improvements must be submitted to justify the loan amount with the subordination request form. Extent of the improvements to the property should not be beyond the realm of “essential” or “reasonable” to expect government to supplement the financial package. Proposed financing for “luxury” improvements such as hot tubs or pools, etc. are not eligible.

LOAN SUBORDINATION REQUEST PROCESS

All requests will need to be submitted by the 2nd Tuesday of the month for the HRA staff to request additional information if needed and to present the request to the loan review committee. Any request submitted after the 2nd Tuesday might need to be postponed until the following month.

1. Cover letter explaining the reason for the request, a copy of the Good Faith Estimate, a completed and signed Subordination Request Form and if applicable Written estimates or bids for home improvements received by HRA staff with the subordination fee payable to the Hutchinson HRA.
2. Request reviewed by staff for completeness of information.
3. Request presented to Loan Review Committee for recommendation.
4. If request is recommended for approval by loan review committee, the request will be presented to the HRA Board.
5. Loan Subordination Agreement will be drawn up after HRA Board Approval.
6. The City Administrator or designee will execute the Loan Subordination Agreement for City of Hutchinson Housing Rehabilitation Loans.

Lenders should allow ten working days from the submission of all required documentation for the processing of subordination requests. All refinancing and subordination requests are subject to final approval by the Hutchinson HRA.

* **Note:** These guidelines are subject to change per decision of the City Council and HRA Board of Directors.

I (we) the applicant(s) for a Home Rehabilitation Loan from the City of Hutchinson, have read and hereby do declare that I (we) have been informed of the Guidelines for Subordination Requests. During the term of the loan it is to my (our) understanding subordination requests will be considered only to refinance my current mortgage to obtain a lower interest rate, or for home improvements with no cash out directly to me during the term of my loan.

Signature of Applicant

Date

Signature of Applicant

Date