

CITY OF GAINESVILLE  
HOUSING DIVISION  
LOAN SUBORDINATION PROCEDURE

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**I. PURPOSE**

The purpose of this procedure is to outline the process to be followed by the City of Gainesville Housing Division to evaluate and approve the subordination of City funded loans (repayable and deferred) to new loans. Subordination will be limited to new loans that improve the solvency of a client and/or decrease his/her total monthly obligations, as listed below under "Eligible Uses".

**II. ELIGIBILITY REQUIREMENTS**

Any housing division client who has received any loan as referenced in Section III below, may request subordination of that loan to a new loan if the following requirements are met:

- own/occupy property as principal residence
- loan payments are current (Repayable loans)
- loan must be in good standing for a minimum of 12 months (exception may be considered for eligible emergency situations)
- continues to maintain the home free of code violations (if applicable)
- has submitted to the required City annual maintenance inspections (if applicable)
- the new combined loan-to-value must be less than or equal to 100%

**III. ELIGIBLE CITY LOANS**

City of Gainesville loans funded from the following Housing Division programs may be eligible for subordination:

- |                                     |                                  |
|-------------------------------------|----------------------------------|
| • Rental Rehab                      | • Downpayment Assistance         |
| • Owner occupied Rehab              | • House Reconstruction           |
| • Mortgage Foreclosure Intervention | • Cedar Grove II                 |
| • Purchase Rehab                    | • Emergency Repair               |
| • House Recycling                   | • Roof                           |
| • Moderate Rehab                    | • Other Housing Related Programs |

#### IV. ELIGIBLE USES OF NEW LOAN PROCEEDS

The following are examples of eligible types of loans and how the loan proceeds may be used to receive a loan subordination:

- refinancing of first mortgage at a lower interest rate or longer term
- debt consolidation loans
- second mortgage loans, when the funds will be used to improve the property
- second mortgage loan, when the funds will be used to pay educational or substantial medical expenses
- second mortgage loans, when the funds will be used to handle an emergency situation
- No cash out to borrower

#### V. SUBORDINATION REQUEST EVALUATION

The City of Gainesville Housing Division will require the following information from the lending institution to review and evaluate the subordination request:

- Written authorization from client to release information to lender
- Interest rate and type (fixed or variable) on new loan
- Term of new loan
- Total monthly payments before and after new loan
- Related loan closing cost and fees
- Purpose of new loan
- Use of new loan proceeds
- Explanation of why subordination is needed
- **Appraisal (combined loan-to-value must be less than or equal to 100% including the new loan)**
- Other related loan documentation, as required

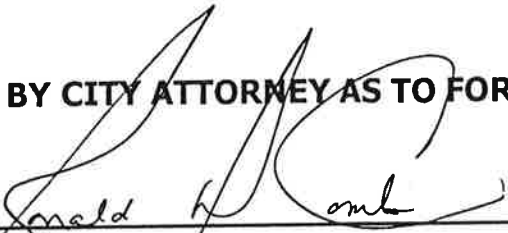
If the subordination request is for an emergency situation, the circumstances must be beyond the client's control) (i.e. injury, loss of job, illness).

## VI. SUBORDINATION PROCESS

1. Client or financial institution make request for loan subordination in writing by completing a Lien Subordination Request application.
2. Housing finance staff reviews the request, contacts borrower to discuss subordination request, and determines eligibility and feasibility. If applicable, a housing inspection will be conducted by housing construction staff to determine condition of the property.
3. Housing finance staff submits recommendation to the Housing Manager or designee to determine the final decision to approve or deny the subordination request.
4. Housing finance staff notifies the financial institution and client within 10 business days from the date subordination request is received.
5. The financial institution completes the City of Gainesville standard subordination agreement and submits to the Housing finance staff for execution by the Housing Manager.
6. Housing finance staff returns original executed subordination agreement to financial institution for recording in the public records of Alachua County.
7. The financial institution must record the subordination agreement and submit a certified copy to the Housing Division.

**\*\*\*The City of Gainesville reserves to right to reject any and all Subordination Requests\*\*\***

**APPROVED BY CITY ATTORNEY AS TO FORM AND LEGALITY:**



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This form document No. P02-0180  
is a legal instrument approved by the City  
Attorney. Any deviations from its intended  
use should be authorized by the City Attorney.  
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