



Legislation Text

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Approval of Loan Subordination Procedure and Authorization to Execute Satisfaction of Mortgage and Subordination Instruments for Housing Division Programs (B)

In accordance with individual housing program guidelines, the City of Gainesville Housing Division is required to file a mortgage lien in the public records of Alachua County on homeowners' properties who receive certain types of financial assistance from the Housing Division's various housing programs (rental rehab, downpayment assistance, owner-occupied housing rehab, etc.). When applicable, the property owner is required to execute a note and mortgage to receive the financial assistance. Filing a mortgage lien secures the City's note that is executed by the property owner. Upon receiving the financial assistance, the property owner must meet the terms and conditions of the mortgage and note for a stated number of years (own/occupy, maintain property, keep property taxes current, etc.). If the property owner pays the loan in full and/or completes the compliance period, the Housing Division must release the mortgage lien by executing and filing a Satisfaction of Mortgage in the public records of Alachua County. The City Attorney has approved the Satisfaction of Mortgage document for form and legality. The document is on file with the Purchasing Division.

Periodically, a property owner may obtain a home equity loan, refinance existing loans and/or consolidate existing loans. The lender requires the property owner to pledge their property as collateral for the new loan. If the City loan is not paid off in conjunction with the new loan transaction, the lender requests the City to subordinate its mortgage to the new loan. The lender requests subordination from the City in order to have a senior lien position, which reduces the lender's loan risk. As a result, the Housing Division implemented the Loan Subordination Procedure to effectively determine the eligibility and approval of subordination requests for City funded loans. The City Attorney has approved the Loan Subordination Procedure and Subordination Agreement for form and legality. The Loan Subordination Procedure outlines the loan subordination process which includes the eligibility requirements, eligible City loans, use of new loan proceeds, loan subordination evaluation and approval requirements.

Funds are budgeted in the Housing Division's housing program budget to cover the costs of recording all required documents.

The City Commission: 1) approve the Housing Division Loan Subordination Procedure; and 2) authorize the Housing Division Manager or designee to execute all required Satisfaction of Mortgage and Subordination documents related to Housing Division administered programs.