

**City of Portage
CDBG Housing Rehabilitation Loan Program
Request for Subordination**

VII. SUBORDINATION AGREEMENTS

The City of Portage will, on a case-by-case basis, review and approve or deny requests from loan recipients for mortgage subordination agreements.

- A. The CDBG Committee will consider subordination requests for homeowners wishing to:
- I Refinance an existing mortgage to obtain a reduced interest rate.
 2. Refinance an existing mortgage to obtain a comparable interest rate and extended payment terms.
 3. Obtain a home equity loan for the sole purpose of rehabilitating their primary residence.
 4. Refinance an existing mortgage as necessary to halt foreclosure proceedings by a bank or to halt tax deed proceedings by the county.
 5. Obtain a home equity loan to pay for medical emergencies.

The CDBG Committee will not consider requests to subordinate for consolidation of consumer debt, such as credit cards, automobiles or other “cash to homeowner” transactions, or for any home equity loans other than for the sole purpose of rehabilitating one’s primary residence. The CDBG Committee will not consider any request that places the City of Portage’s security interest in jeopardy, as determined by standard underwriting practice, unless required to halt foreclosure or tax deed proceedings or to assist with medical emergencies.

The market value of the property to be subordinated shall be set at the estimated fair market value according to the current tax assessment, plus no more than 10 percent.

The equity shall be established by determining the amount of the proposed new mortgage and adding it to the Block Grant lien. If the total of the new mortgage and the Block Grant lien is equal to or

less than the current market value set forth above, then a subordination request can be considered.

If the total of the new mortgage and the Block Grant lien exceeds the market value of the property established above, a subordination will not be considered.

- B. Homeowners who anticipate refinancing an existing loan and request that the City of Portage subordinate its mortgage position, must submit in writing the following information to the CDBG Committee.
 - 1. The reason for the subordination request.
 - 2. The name, address, and contact person(s) at the cooperating financial institution.
 - 3. The new mortgage amount that would take precedence over the City of Portage's mortgage.
- C. Written requests for subordination agreements must be approved by the CDBG Committee. The subordination agreement must be drafted at the homeowner's expense by the cooperating financial institution or legal counsel.