

***Community Planning and Economic Development  
SUBORDINATION POLICY***

**INFORMATIONAL NOTE**

Effective August 24, 2003, the Minneapolis Community Development Agency (MCDA) is now a department of the City of Minneapolis known as Community Planning and Economic Development (CPED). Any loans that were previously the responsibility of MCDA are now the responsibility of CPED or City of Minneapolis staff.

The terms of this policy and the associated fees may periodically change. Servicers will be provided with a notice of changes at least 30 days prior to the effective date.

**PROCESSING/REVIEW FEE:**

A \$125.00 fee will be charged by the CPED for all subordination requests. In addition, the Servicer is entitled to a fee of \$100.00 for processing each subordination request, the fee is in effect on September 26, 2003. An additional \$50.00 per document may be charged by the Servicer for each additional document. **The fee of \$150.00 must be submitted with the request package made payable to Community Reinvestment Fund.**

**CONDITIONS FOR SUBORDINATION**

Subject to conditions identified below, a subordination may be granted to permit the mortgagor to benefit from an interest rate reduction or to shorten the term of their primary mortgage loan. This refinance may include any and all debt that is superior to the CPED's debt in lien status and may also include cash from the equity of the home. In no instance may the combined loan-to-value (CLTV) of the CPED loan and any loan that would be superior in lien status exceed 100% after the new refinance is closed.

1. If the CLTV is above 80%, cash may only be obtained to complete repairs and improvements to the home. Any cash proceeds must be escrowed with the mortgage company or title insurance company and cash disbursements may only occur after construction work is completed. Any remaining proceeds left over after the work is completed may go for additional work to the home or it must be paid to the Servicer of the mortgage loan to reduce the principal balance of the loan. (To avoid closing and escrowing the home improvement funds, the borrower may complete the project prior to closing and then obtain a refinance including the cost of the work that was completed. The borrower must clearly document all the expenses associated with that work by receipts. No reimbursement may occur for the borrower's own labor or for tools and equipment, except equipment rental. All work must be considered permanent attachments to the home.)
2. If the CLTV is 80% or less, the mortgagor may obtain cash without the completion of home repairs or improvements.

3. Except as provided for under number 2 above, **under no condition** may the borrower receive proceeds from the refinance transaction, except to reimburse expenses paid by the borrower during the loan process, i.e. credit report and appraisal fee. If any cash is identified as a result of changes in the closing transaction, it must be applied to the principal balance of the new loan.
4. CPED reserves the right to deny any subordination request it deems not in its best interest.

**REQUIRED DOCUMENTATION:**

The following documentation will be required to process/review loan subordination requests:

- Outstanding principal balance of current loans(s), monthly payment(s), interest rate and remaining term. Please indicate whether payment quoted is PI or PITI.
- Correct legal description of property.
- New mortgagee name as it will appear on the Note and Mortgage and name and phone number of the loan representative for the new mortgage.
- Amount of the new mortgage, monthly payment (PI), interest rate, and term.
- Proof of the present value of home (current appraisal, or if Streamline Refinance, a copy of the current County Assessor Tax Value Statement).
- Copy of Good Faith Estimate
- Copy of Title Insurance Commitment.
- Completed CPED Lender Data Request Sheet.

**ORIGINAL SUBORDINATION AGREEMENT DOCUMENT:**

Upon receipt of the signed HUD-1 Settlement Statement (signed by the mortgagors and the closer) the executed subordination agreement will be forwarded to the title company for recording. A copy of the recorded document must be returned to the Servicer when available.

**NEIGHBORHOOD REVITALIZATION PROGRAM (NRP) NOTICE**

Any changes to this policy that could affect a loan originated through an NRP sponsored program will be reviewed and approved by the NRP Department.