

**Hillsborough County
Loan Subordination Policy**

EFFECTIVE DATE: June 27, 2011

In general, Hillsborough County does not subordinate mortgages made using CDBG, HOME and SHIP funds. However, under the following circumstances, the County will consider taking a subordinate position on a case-by-case basis:

1. The borrower is experiencing financial hardship which would be benefited by securing a lower interest rate (rate reduction) on his or her first mortgage accompanied by lower monthly payments; the original borrower continues to own and occupy the home as the borrower's primary residence; and the new monthly payment includes escrows for taxes, and insurance, and represents between 30% - 35% of a borrower's gross monthly income.
2. The borrower has a pending foreclosure, through no fault of the borrower and needs a modification or refinance of their original first mortgage loan to keep possession of their home.
3. The borrower has suffered a personal hardship (i.e., death of spouse, loss of employment, reduction of employment, illness, fire or natural disaster, etc.) through no fault of the borrower, and is unable to make the current mortgage payment and needs a modification, refinance of their original first mortgage loan or to convert it to a reverse mortgage loan in order to keep possession of their home.
4. The borrower's home is in a condition that is not up to the minimum housing code and/or health and safety conditions exist in the home necessitating the borrower obtain a modification, or refinance of their original first mortgage loan in order to bring their property up to the minimum housing code .

If the County agrees to subordinate its interest, the following conditions must be met:

1. The new first mortgage, (modified or refinanced first mortgage), has an interest rate that is at least two percentage points below the original first mortgage, and/or as a result of the monthly savings, the borrower should be able to recoup (break-even) the loan closing costs within 3-5 years.
2. The new first mortgage's origination fee, points, commitment fees, buy down fees and other lender charges do not exceed 2% of the loan amount.
3. The new first mortgage is a permanently fixed rate mortgage with no balloon payments and no pre-payment penalty. Terms may go up to thirty years as applicable based on the original loan balance and the term remaining on the original note.
4. The borrower does not receive any cash out for any purpose other than for home rehabilitation work to address specific conditions or to convert the original first mortgage loan into a reverse mortgage loan. The borrower is not permitted to receive cash out for bill consolidation loans, medical collections, other mortgages or encumbrances or liens. Should the borrower obtain a new first mortgage for home rehabilitation, the

rehabilitation scope of work and specifications can only rectify conditions to bring the house up to minimum code, correct adverse conditions of the home related to health and safety to the household members or to alleviate conditions of overcrowding due to significant increases to family size. If the new first mortgage includes funding for rehabilitation work costs less than \$10,000, then it must include a plan for home rehabilitation that brings the house up to minimum code, or corrects conditions of the home related to health and safety to the household members or alleviates conditions of overcrowding. If the new first mortgage includes funding for rehabilitation work costing more than \$10,000, then it must be escrowed and managed by the lender and include a plan for home rehabilitation as previously described. Should the borrower convert their original first mortgage loan to a reverse mortgage loan, then they may receive cash payments so long as the reverse mortgage complies with the County's requirement for a reverse mortgage as described above.

5. The borrower must have sufficient equity in the home so as not to displace the County beyond a 115% combined loan to value (CLTV) ratio.
6. If the borrower has a payment type loan, the account must be current.
7. Property Taxes must not be delinquent.
8. The borrower must submit proof of homeowner's insurance.
9. If the new first mortgage is a reverse type mortgage, the maximum lender fees cannot exceed 2% and there must not be any prepayment penalties.

Borrowers interested in seeking approval from the County to subordinate to a new first mortgage must:

1. Write the County's Affordable Housing Services (AHS) requesting that the County subordinate to the proposed new first mortgage loan and authorize the lender to receive information regarding the borrower's loan with the County for the purposes of the modification, refinance of the first mortgage loan or converting it to a reverse mortgage loan. The request to AHS must include the borrower's name, address, and telephone number; lender's name, address, telephone and fax numbers; and the Closing Agent/Title Company contact person, address and telephone number.
2. The lender must provide the details of the loan being requested by the borrower such as a copy of the Truth in Lending statement, first three (3) pages of the appraisal, proposed mortgage documents and a copy of the Good Faith Estimate or Settlement Statement (HUD 1 Form).
3. Provide additional information as needed to establish that the loan is strictly for a reduction in payment/interest rate (rate reduction), or for the prevention of a foreclosure, for the purpose of keeping possession of the home, or for needed rehabilitation work to bring it up to minimum housing code, correct conditions of the home related to health and safety or to alleviate overcrowding conditions and establish that the lender is not charging rates or providing terms that fall under the category of predatory lending practices.

4. The County must review a copy of the HUD-1 Closing Statement prior to release of the County's executed Subordination Agreement. If a title company faxes the HUD-1 to the County when completed, and supplies the title company's FedEx (or any overnight carrier) accounting number, the County will overnight, or fax, if acceptable, the executed Subordination Agreement, so long as the Subordination Agreement is in agreement with the figures on the HUD-1.
5. All requests for subordination must be made at least fifteen (15) business days prior to closing. For the subordination of non-DPA type loans (i.e., Home Rehabilitation Program or HomeSavers Program second mortgage loans), the County will need at least (60) days because these types of loans will have to be approved by the Board of County Commissioners.

This Loan Subordination Policy may be amended from time to time. For the most up to date version, please contact the Hillsborough County – Affordable Housing Services at (813) 612-5397.

Policy Approved by:



Paula Harvey, Director of Affordable Housing Services

6-27-11
Date