

RESOLUTION NO. 98-40

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES
ESTABLISHING CRITERIA FOR RESUBORDINATION OF SECOND MORTGAGES
FUNDED BY COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS

WHEREAS, the City has provided second mortgage loans to low income households for residential rehabilitation and first-time homebuyers assistance using Community Development Block Grant (CDBG) funds; and

WHEREAS, from time to time it is either necessary or in the best financial interest of homeowners to refinance their first mortgages and request that the City resubordinate its second mortgages to the new first mortgages; and

WHEREAS, the purpose of the City's second mortgages is to use public CDBG funds to assist low and moderate income persons purchase or maintain housing in good repair and such funds should not be subordinate to a loan for expenses, such as short-term debt obligations, that are less essential than housing; and

WHEREAS, second mortgage loans made under the City's First Time Homebuyers Program, only require borrowers to provide 2% of the purchase price with their own funds (i.e., have an LTV of 98%); and

WHEREAS, there are no federal or state regulations governing resubordination of CDBG or LMIH-funded loans;

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of El Paso de Robles, California, to establish the following criteria for resubordination of second mortgages funded by Community Development Block Grant funds and Redevelopment Low and Moderate Income Housing funds:

1. The existing second mortgage loan, in addition to other existing and/or proposed loans, shall not result in a lien to value (LTV) ratio on the property exceeding 80 percent, as shown by a certified appraisal.
2. The proceeds of the new loan shall only be used to pay off the existing loan or loans superior to the City's loan and to pay closing costs. Proceeds of the loan shall not be used to pay consumer debt or provide cash to the property owner. This shall be verified through a detailed statement from the lender showing all closing costs and payoff amounts.

3. The new loan must achieve a better financial situation for the borrower, such as a lower interest rate and lower payments.
4. The terms of the note and deed of trust have not been violated.

PASSED AND ADOPTED THIS 3rd day of March, 1998 by the following roll call vote:

AYES: Swanson, Baron, Iversen, Macklin, Picanco

NOES: None

ABSENT: None

ABSTAIN: None


DUANE J. PICANCO, MAYOR

ATTEST:


MADELYN PAASCH, CITY CLERK

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