



Subordination Process

Bank Supplies to the City:

1. Financial documentation demonstrating income for all household occupants 18 years old or older.
2. Full disclosure of amounts and reasons for the new loan.
3. Total loan amount and itemization of all debts rolled into new first mortgage.
4. Copy of Appraisal.
5. The name of the Bank's Trustee.

PLEASE NOTE: Review and approval process by the City make take up to 6 weeks.

Community Development Staff will:

1. Review the request.
2. Determine eligibility for subordination.
3. Makes a determination for pay off amount (if any) based on the Subordination Policy.
4. If an exception is requested, presents the information to the Community Development Board. Please Note: An exception request may take up to 30 days for review by the Community Development Board in addition to 30 days (or more) required for review by the City Administrator.
5. Submits Subordination Request and staff recommendation to the City Administrator
6. City Administrator reviews Subordination Request and approves or denies.
7. Report decision to the Lender.

Lender's Responsibility:

1. Close the loan.
2. Forward repayment of pay off amount to Community Development Office.

City's Process:

1. CD Staff prepares Subordination Agreement.
2. CD Staff completes Modification Agreement.
3. Documents are forwarded to Lender or Title Company for recording.

Housing Rehabilitation Loan Program - Subordination Policy

Approved by Billings City Council on April 22, 2013, amended by Resolution 13-9286 on June 24, 2013.

General Requirements	
	<ul style="list-style-type: none"> • Total loan-to-value ratio for the property cannot exceed 85% (based on appraisal). • The City Administrator must approve all requests – may take up to six weeks or longer. • Homeowner(s) must provide financial documentation demonstrating household income is at or below 80% of current Area Median Income. • The City will only subordinate once. A second request for subordination will be denied. • Subordination may not be requested within three years of the Rehabilitation Loan origination. • Lender must provide written documentation outlining: <ul style="list-style-type: none"> ▪ The amount of the original mortgage. ▪ The amount of the new first mortgage. ▪ Details of debts being incorporated into new mortgage. ▪ Copy of appraisal. ▪ Name of Bank Trustee.
<p style="text-align: center;">Criteria for 0% Repayment <i>Straight Refinance of First Mortgage</i></p>	<ul style="list-style-type: none"> • Loan is a refinance, and the City is still in 2nd position. • The new mortgage (refinance) lowers the monthly payment from current mortgage. • No other debt of any kind is rolled into the new 1st mortgage loan. • No cash is paid out to the owner.
<p style="text-align: center;">Criteria for 15% Repayment <i>Applicant pays 15% of the loan balance and the City Subordinates 85%</i></p>	<ul style="list-style-type: none"> • Medical debt is the only debt rolled into the new 1st mortgage. • City remains in 2nd position. • No cash is paid out to the owner.
<p style="text-align: center;">Criteria for 33% Repayment <i>Applicant pays 1/3 of the loan balance and the City Subordinates 2/3</i></p>	<ul style="list-style-type: none"> • New 1st mortgage includes debt such as consumer debt, car loans, etc. • Debt cannot be more than twice the original Rehab Loan amount. • No cash is paid out to the owner.
<p style="text-align: center;">Deny Subordination or Complete Payoff Required</p>	<ul style="list-style-type: none"> • Refinance results in cash paid to the owner. • The loan was previously subordinated. • The subordination puts the City’s loan in 3rd position. • The Housing Rehab Loan was originated within three years of the date of request for subordination. • The amount of the loan for other items such as medical, credit card, car loan, etc. totals more than twice the Rehab Loan.
<p style="text-align: center;">Exceptions / Special or Extenuating Circumstances</p>	<ul style="list-style-type: none"> • Community Development Board will review all exception requests or special cases. • Exception requests may take up to 30 days for review by the Board in addition to the 30 days required for review by the City Administrator. • After review of exception requests, the Community Development Board will forward their recommendation to the City Administrator for final review.