



SINGLE-FAMILY RESIDENTIAL SUBORDINATION SUBMISSION INSTRUCTIONS AND CHECKLIST

BORROWER INFORMATION:

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\$					
\$					
Type (check one):		<input type="checkbox"/>	Fixed	<input type="checkbox"/>	Variable
(check one):		<input type="checkbox"/>	Yes	<input type="checkbox"/>	No
<input type="checkbox"/>	Yes	<input type="checkbox"/>	No	If no, amount due:	\$
<input type="checkbox"/>	Yes	<input type="checkbox"/>	No	If no, amount due:	\$

PROPOSED LENDER INFORMATION:

New Lender:

New Lender's Mailing

Address:

City

Zip

New Lender's Phone No.:

New Lender's Fax No.:

New Lender's Contact Person:

Contact Person's Email:

NEW LOAN TERMS:

Proposed New 1st Trust Deed

Amount:

Proposed Monthly Payment Amount:

Type (check one):

☐

Fixed

☐

Variable

Proposed Interest

% Rate:

(check one):

☐

15/15

☐

30/30

Proposed Term

(check one):

☐

Yes

☐

No

Prepayment Penalty:

Proposed CLTV

_____ %

Cash out at closing

(check one):

☐

*Yes

☐

No

If yes, amount:

\$

*If yes, reason for

Cash Out:

ESCROW INSTRUCTIONS:

Escrow Company Name:

Escrow Mailing Address:

Street

City

Zip

Escrow Phone No.:

Escrow Fax No.:

Escrow Contact Person:

Escrow Contact Email:

The San Diego Housing Commission considers requests to subordinate its lien for refinancing with **no cash-out** if the following conditions are met:

1. Senior lien is being refinanced to lower the interest rate, which will result in a decrease to the borrower's debt service. An exception may be a lower interest rate with a shorter loan term.
2. Senior mortgage loan is seasoned for at least 12 months.
3. Borrowers on the new proposed loan must be the same as on the original senior loan and SDHC loan.
4. The first mortgage loan must be a fixed rate mortgage, and the payment must be fully amortizing.
5. Combined Loan-To-Value (CLTV) does not exceed 85%.
6. The new proposed Interest Rate must be at least one percentage point (1%) lower than current rate.
7. The lender is required to determine that there is a net tangible benefit on all applicable rate and term refinance transactions. Net tangible benefit is defined as either: a) A reduction of at least 5% in the mortgage payment and recapture of closing costs within 48 months (except prepaid and escrow account deposits for taxes and insurance); or b) A reduction in the term of the mortgage provided the payment increase is no more than 15%.
8. The subordination satisfies the purposes of the City Programs outlined above.
9. The City's security interest in the property is not adversely affected.
10. Customary closing costs not to exceed to 3% of the new first mortgage amount or \$6,000, whichever is less.
11. Loans or Stand-alone grants funded under SDHC's BIPOC-Down Payment and Closing Costs Moderate-income First-time Homebuyer program must be paid off and cannot be subordinated.
12. If loan terms change after a Subordination Agreement has been issued to the refinance Lender, Escrow Company or Title Company, there will be an additional fee of \$50.00 for re-review of the proposed loan terms and issuance of a second or each subsequent Subordination Agreement.

✓ CHECKLIST – Please send the following items with this form to San Diego Housing Commission – Loan Servicing:

- ☐ A written request from your company for a rate and term refinance with the borrower's authorization to release information form.
- ☐ Letter signed by the borrower explaining the purpose of the refinance.
- ☐ Copy of all pages of the loan application (1003) signed by the borrower.
- ☐ Copy of most recent first mortgage statement.
- ☐ Copy of the Preliminary Title Report.
- ☐ Certified copy of the escrow instructions referencing the new lender, showing vesting, and the new loan amount. If no escrow is involved in the transaction, a statement from the new lender is required listing the new loan amount, exact vesting for borrower, and name of the lender **exactly** as it will appear on the loan documents.

- ☐ Copy of the Estimated Closing Statement (most recent Loan Estimate/Closing Disclosure).
- ☐ Pay-off statement from the existing first trust deed lien holder.
- ☐ Copy of the lender's Underwriting Transmittal Summary (1008), clearly showing the loan has been approved, the loan amount, interest rate, term of the loan, and the principal and interest payments. The new first trust deed loan must be a fixed rate loan, fully amortized over the life of the loan.
- ☐ Full Appraisals if the property is an Affordable for-sale Property.
- ☐ Signed Notice Regarding Lien Verification and Request to Furnish Information from borrower.
- ☐ If applicable, signed Acknowledgement Regarding Loss of Mortgage Credit Certificate.

A non-refundable subordination fee will be charged by the Housing Commission based on the number of liens the borrower has with the Housing Commission. Please include a check made payable to the San Diego Housing Commission for \$400 for the subordination of one lien, plus \$50 for each additional lien to be subordinated or reconveyed. **Payment of the fee must be included with the submission of the subordination package.**

NOTE: SDHC processes all requests in the order in which they are received. Requests will NOT be rushed. Subordination requests will not be considered unless all documents are received. Upon receipt of a complete package, staff will present the request for subordination to Management for consideration. The review process can take up to 10 business days. If approved, you will be notified of any contingencies. SDHC will draft the subordination agreement(s) based on the above information provided by the lender or escrow company.

These policies may change subject to the SDHC's sole discretion. SDHC reserves the right to grant or deny the subordination request that does not represent the best interest of the City and the Borrower AND satisfy the purposes of its programs.

All terms, conditions and fees are subject to change.

SAN DIEGO HOUSING COMMISSION

NET TANGIBLE BENEFIT WORKSHEET

The following worksheet is used to determine if the borrower's net tangible benefit meets the San Diego Housing Commission's (SDHC) subordination requirements on all applicable **rate and term** refinance transactions, and must be completed by the participating lending officer providing the loan.

Borrower(s) Name: _____

Property Address: _____

Reduction in Rate (no change on term)

Provided that the term of the loan is the same on the new loan as the existing loan, SDHC requires that the new loan provides savings in the combined mortgage payment (principal, interest and mortgage insurance premium if applicable) of at least five (5) percent. Additionally, borrower must recoup the costs of new loan within forty-eight (48) months. If the new loan does not meet this minimum savings **and** cost recapture requirements, SDHC will not approve the subordination request.

1. Mortgage Payment Savings (must save minimum 5%)

Fill out the table below with information from the existing and the proposed new loan.

	Existing Loan	New Loan
Term of Loan (years remaining)	Years	Years
Interest Rate	%	%
Principal and Interest (P&I)	\$	\$
Mortgage Insurance Premium (MIP)	\$	\$
Total (P&I plus MIP)	\$	\$

$$\frac{\$ \text{New Total}}{\$ \text{Existing Total}} = \boxed{} \%$$

The new payment divided by the existing payment **must be** < 95% or .95 on rate-reduction refinance loans.

2. Recapture calculation (must recoup within 48 months)

\$ _____	Cost of New Loan All borrower-paid charges, including items paid outside of closing and all prepayment penalties incurred on the loan to be refinanced (if applicable), except prepaid interest and escrow account reserves for taxes and insurance.
÷ \$ _____	Monthly decrease in total mortgage payment Existing total mortgage payment (P&I plus MIP) minus new total mortgage payment (P&I plus MIP) from 1 – Mortgage Payment Savings.
= _____	Number of months to recapture closing costs Divide cost of new loan by monthly decrease in total mortgage payment. Number of months must be ≤ 48 months.

Reduction in Term

Fill out the table below with information from the existing and the proposed new loan.

	Existing Loan	New Loan
Term of Loan (years remaining)	Years	Years
Interest Rate	%	%
Principal and Interest (P&I)	\$	\$
Mortgage Insurance Premium (MIP)	\$	\$
Total (P&I plus MIP)	\$	\$

$$\frac{\$ \text{New Total}}{\$ \text{Existing Total}} = \boxed{} \%$$

The new payment divided by the existing payment **must be** < 115% or 1.15 on term-reduction refinance loans.

The net tangible benefit is met if the new loan meets ALL of the following conditions:

- ☐ The loan term is reduced;
- ☐ The new interest rate does not exceed the current interest rate; and
- ☐ Mortgage payment increase no more than fifteen (15) percent

Certification

- ☐ Based on the loan information and benefits previously indicated, I certify that the proposed loan would result in a tangible benefit to the borrower(s) considering all of the circumstances reflected in the loan file, terms of the both the new and refinanced loan, the cost of the new loan, and the borrower's specific situation.

Loan Officer Signature

Date

Loan Officer Name

Lender/Mortgage Company Name