



City of Norman, OK

Municipal Building Council
Chambers
201 West Gray Street
Norman, OK 73069

Text File

File Number: K-1213-137

Agenda Date: 1/8/2013

Version: 1

Status: Consent Item

In Control: City Council

File Type: Contract

Title

CONTRACT NO. K-1213-137: A CONTRACT BY AND BETWEEN THE CITY OF NORMAN, OKLAHOMA, AND FIRST MORTGAGE COMPANY TO SUBORDINATE A LIEN REGARDING FUNDS FROM THE HOME PARTNERSHIP PROGRAM FOR PROPERTY LOCATED AT 805 IOWA STREET.

Body

BACKGROUND: In July 2008 the City of Norman HOME Partnership Program provided \$5,000 as downpayment assistance to Elizabeth Rylko for the purchase of a home at 805 Iowa Street as a part of the NCRC Homebuyer Program. The NCRC Homebuyer Program is operated in conjunction with the Norman Community Reinvestment Council (NCRC), a 501(c)(3) corporation that is comprised of Norman banking institutions providing assistance to lower income citizens of Norman. Almost five hundred fifty (550) such loans have been made since the program was initiated in 1995 to provide down payment assistance and closing costs to income-qualified Norman citizens in the purchase of their first home.

As a condition of funding, a lien was placed on the property and was filed as a subordinate mortgage to the primary mortgage on the property. Any modification of the primary mortgage requires resubordination of the lien. The program does not require repayment of the loan as long as the applicant maintains their home as their primary residence for five years; and at the end of five years the subordinate mortgage is released.

DISCUSSION: Approval of the request for subordination of the lien on 805 Iowa Street would allow the owner to secure a loan to refinance the primary mortgage that will provide a lower interest rate to reduce the house payment by \$115.88 per month. Documentation from First Mortgage Company including a Certification of Mortgage Loan Refinancing, Good Faith Estimate, and a Truth in Lending Disclosure Statement were provided. The Subordination Agreement that will be filed with the new primary loan is attached. In accordance with the adopted City of Norman Housing Handbook, these documents prove that all funds will be used for the refinancing of the home, with no funds going toward payment of debt.

Subordination of the lien would assist in making more money available for the upkeep of the property. The City would maintain a second position on the property. Additionally, the request meets the requirements of our policy to subordinate only for the purposes of lowering payments or improving the home, and the terms and conditions of program participation as described in the subordinate mortgage executed in July 2008 will not be modified.

RECOMMENDATION: Approval of Contract No. K-1213-137 for subordination of the lien on 805 Iowa Street is recommended. Subordination of liens in the HOME Partnership Program is allowed by the Department of Housing & Urban Development and is consistent with program goals.