



City of Grand Island

Tuesday, May 10, 2016

Council Session

Item G-9

**#2016-110 - Approving Subordination Agreement for Lois Stade,
236 S. Plum Street**

Staff Contact: Charley Falmlen

Council Agenda Memo

From: Charley Falmlen, Community Development

Meeting: May 10, 2016

Subject: Approving Subordination Agreement for Lois Stade, 236 S. Plum Street

Presenter(s): Charley Falmlen, Community Development

Background

The City of Grand Island has a Deed of Trust filed on property owned by Lois Stade, a single person, located at 236 S. Plum Street, in the amount of \$14,000. In 2013 Community Development Block Grant funds totaling the amount of \$14,000 were loaned to Lois Stade, to assist in her with the down payment as part of the Community Development Block Grant program. The legal description is:

Lot Four (4), Block Two (2), Koehler Place, an Addition to the City Of Grand Island, Hall County, Nebraska.

The owner is requesting permission from the City to subordinate to a new mortgage amount of \$57,000.00 and accept second position to the first mortgage. Lois Stade is seeking to refinance her mortgage and is working through First National Bank. The lender is requesting first position on the Deed of Trust. The house will remain occupied and property taxes will continue to be paid. The equity in the property is in excess of the lien amounts held by both the City and the bank.

Discussion

The City's current lien is in the amount of \$14,000, which has a balance of \$10,577.02 due to 10% being forgiven annually. A new lien in the amount of \$57,000.00 with First National Bank would replace the City of Grand Island's senior lien. By law, the new lien, with First National Bank, would be junior in priority to the City's lien; however, First National Bank, has asked the City to subordinate its lien to the new lien.

The anticipated appraised value of the property is \$80,000.00, as of May 2016, and is sufficient to secure the first mortgage of \$57,000.00 and the City's remaining mortgage of \$10,577.02. The City's loan is a zero percent interest loan that is due only when the homeowner sells the house.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand.
The Council may:

1. Move to approve the Subordination Agreement
2. Refer the issue to a Committee
3. Postpone the issue to a later date
4. Take no action on the issue

Recommendation

City Administration recommends that Council approve the Subordination Agreement with First National Bank, placing the City in the junior position to the new Deed of Trust.

Sample Motion

Move to approve the Subordination Agreement with First National Bank.

SUBORDINATION AGREEMENT

COMES NOW the City of Grand Island, Nebraska, secured party/beneficiary and hereby subordinates its trust deed/real estate lien recorded December 21, 2006 on the following described real estate:

Lot Four (4), Block Two (2), Koehler Place, an Addition to the City Of Grand Island, Hall County, Nebraska.

It is the intent of this Agreement that the trust deed for amounts loaned by First National Bank to Lois Stde (Borrower) that has been or is about to be filed, shall be superior to the trust deed/real estate lien of the City of Grand Island, its successors and assigns recorded December 2, 2013, up to the amount of \$57,000 plus interest and amounts advanced to protect the collateral. Thereafter, the City of Grand Island’s lien shall have priority. It is further understood that this subordination shall include all current obligations, extensions, renewals, advances or modifications made by the City of Grand Island, Nebraska to Borrowers which is secured by the trust deed/real estate lien recorded December 2, 2013 as Document Number 201309408 in the records of the Register of Deeds of Hall County, Nebraska. Nothing in this Subordination Agreement is intended as a promise to provide financing or make advances to Borrowers by the City of Grand Island, Nebraska and it is not the intention of the City of Grand Island, Nebraska to warrant or guarantee the obligations of Borrowers but merely to subordinate its lien interests under the instrument recorded at Document Number 201309408. It is understood that First National Bank intends to lend funds to Borrower/s but that the amount that will be superior to the City of Grand Island’s lien is not to exceed \$57,000 plus interest and amounts advanced to protect the collateral.

Nothing in this instrument is intended to relieve Borrowers of their obligation to make payments to the City of Grand Island, Nebraska or to subordinate any other lien interests including, but not limited to, real estate taxes and special assessments.

Dated: _____ City of Grand Island, Nebraska

By _____
Jeremy L. Jensen, Mayor

STATE OF NEBRASKA)
)ss.
COUNTY OF HALL)

The foregoing instrument was acknowledged before me on _____, 2015, by Jeremy L. Jensen, Mayor of the City of Grand Island, Nebraska.

Notary Public

RESOLUTION 2016-110

WHEREAS, the City of Grand Island, is the lender and secured party of a Deed of Trust dated November 27, 2013 and recorded on December 2, 2013, as Instrument No.0201309408and No. 0200802843 respectively, in the total amount of \$33,152.06 secured by property located at 236 S. Plum Street and owned by Lois Stade, said property being described as follows:

Lot Four (4), Block Two (2), Koehler Place, an Addition to the City Of Grand Island, Hall County, Nebraska.

WHEREAS Lois Stade wishes to execute a Deed of Trust in the amount of \$57,000 with First National Bank, to be secured by the above-described real estate upon the subordination of the City's Deed of Trust to their lien priority; and

WHEREAS, the value of the above-described real estate is sufficient to adequately secure both loans; and

WHEREAS, the requested subordination of the City's lien priority is in the best interests of all parties.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the Mayor is hereby authorized and directed to execute an agreement subordinating the lien priority of the above described Deeds of Trust Lois Stade, to the City of Grand Island, as beneficiary to that of the new loan and Deed of Trust of First National Bank, Beneficiary, as more particularly set out in the subordination agreement.

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Adopted by the City Council of the City of Grand Island, Nebraska, May 10, 2016

Jeremy L. Jensen, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☒ _____
May 6, 2016	☒ City Attorney