



City of Grand Island

Tuesday, February 10, 2004

Council Session

Item G10

**#2004-27 - Approving Subordination Agreement for House
Purchased Under CDBG Down Payment Assistance Program**

Staff Contact: Joni Kuzma

Council Agenda Memo

From: Joni Kuzma, Development Specialist

Meeting: February 10, 2004

Subject: Subordination Agreement for House Purchased under CDBG Down Payment Assistance Program

Item #: G-10

Presenter: Joni Kuzma, Development Specialist

Background

The City of Grand Island has a real estate lien on property owned by Matthew and Kamra Treffer, 1221 Warren Lane, which has a remaining balance of \$11,682.00. This lien is a result of City Down Payment Assistance funds loaned to the homeowner to purchase a home in the Community Development Block Grant Project Area on March 18, 2002. The legal description for the property is: Lot Four (4), Houghkirk Subdivision to the City of Grand Island, NE, Hall County, a/k/a/ 1221 Warren Lane. The owners are requesting permission to refinance their first mortgage at a lower interest rate.

Discussion

The City's current real estate lien is junior in priority to a Deed of Trust from the owner to their finance company (Washington Mutual). By law, the new Deed of Trust would be junior in priority to the City's lien; however, the lenders from the new lending institution (Full Spectrum Lending) have asked the City to subordinate its real estate lien to the new Deed of Trust.

The current lien with Washington Mutual is \$59,720.37. The appraised valuation of the property is \$83,000 and is sufficient to secure the refinanced loan and the City's loan. Approval of the proposed Subordination Agreement, placing the City in the junior position to the new Deed of Trust, is recommended.

Alternatives

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

1. Approve the Subordination Agreement
2. Disapprove or /Deny the Subordination Agreement
3. Modify the Subordination Agreement to meet the wishes of the Council
4. Table the issue

Recommendation

City Administration recommends that the Council approve the proposed Subordination Agreement, placing the City's lien in the junior position to the new Deed of Trust.

Sample Motion

Approve the Subordination Agreement between the City of Grand Island and Matthew K. and Kamra K. Treffer for property located at 1221 Warren Lane.

RESOLUTION 2004-27

WHEREAS, the City of Grand Island, is the lender and secured party of a Real Estate Lien dated March 18, 2002 and recorded on March 18, 2002 as Instrument No. 200203049 secured by property located at 1221 Warren Lane and owned by Matthew A. Treffer and Kamra K. Treffer, husband and wife, said property being described as follows:

Lot Four (4), Houghkirk Subdivision in the City of Grand Island, Hall County, Nebraska.

WHEREAS, Matthew A. Treffer and Kamra K. Treffer, husband and wife, wish to execute a Deed of Trust and Note in the amount of \$63,000 with Full Spectrum Lending to be secured by the above-described real estate; and

WHEREAS, the new lender, Full Spectrum Lending, Beneficiary, wishes to extend the new loan secured by a Deed of Trust conditioned upon the City subordinating its Real Estate Liens to their lien priority; and

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

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 Real Estate Liens from Matthew K. Treffer and Kamra K. Treffer, husband and wife, to the City of Grand Island, as beneficiary to that of the new loan and Deed of Trust of Full Spectrum Lending, 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, February 10, 2004.

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
February 5, 2004	☐ City Attorney