



City of Grand Island

Tuesday, October 26, 2004

Council Session

Item G18

**#2004-275 - Approving Subordination Agreements for House
Located at 1122 East 9th Street and Purchased Under CDBG
Down Payment Assistance Program and Affordable Housing Trust
Fund**

Staff Contact: Jerenne Garroutte

Council Agenda Memo

From: Jerenne Garroutte, Community Development

Meeting: October 26, 2004

Subject: Subordination Agreements for House Located at 1122 East 9th Street Purchased Under CDBG Down Payment Assistance Program And Affordable Housing Trust Fund

Item #'s: G-18

Presenter(s): Jerenne Garroutte, Community Development

Background

The City of Grand Island has two real estate liens on property owned by Eleanor F. Bennett, 1122 East 9th Street. The 1st lien is in the amount of \$12,053.00 which is the result of the City Down Payment Assistance funds loaned to the homeowner to purchase a home in the Community Development Block Grant Project Area on October 4, 2002. This lien reduces 10% per year on the anniversary date of the loan and will be forgiven totally on October 4, 2012. The 2nd lien in the amount of \$9,000.00 is the result of the Affordable Housing Trust Fund Grant for infrastructure of the Subdivision. The \$9,000.00 lien does not reduce yearly however, the grant stipulates that if the property is sold and does not yield enough to pay the \$9,000 lien, the \$9,000 lien will be forgiven.

Discussion

The City currently has a 2nd mortgage real estate lien in the amount of \$12,053.00 and a 3rd mortgage real estate lien in the amount of \$9,000.00 which are junior in priority to a Deed of Trust from the owner to their finance company Community Mortgage. 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 liens to the new Deed of Trust.

The new lien with Full Spectrum Lending is in the amount of \$60,001. The current appraisal of the property as of October 7, 2004 is \$90,000.00 and is sufficient to secure

the refinanced loan and the City's loans. Approval of the proposed Subordination Agreements, 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 Agreements.
2. Refer the issue to a Committee.
3. Postpone the issue to a future date.
4. Take no action on the issue.

Recommendation

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

Sample Motion

Approve the Subordination Agreements between the City of Grand Island and Eleanor F. Bennett for the property located at 1122 East 9th Street.

R E S O L U T I O N 2004-275

WHEREAS, the City of Grand Island, is the lender and secured party of a Deed of Trust dated October 4, 2002 and recorded on October 7, 2002 as Instrument No. 0200210700, in the amount of \$12,053.00, secured by property located at 1122 East 9th Street and owned by Eleanor F. Bennett, a single person, said property being described as follows:

Lot Seven (7), Lincoln View Estates Subdivision in the City of Grand Island, Hall County, Nebraska.

WHEREAS, the City of Grand Island, is also the lender and secured party of a Deed of Trust dated October 4, 2002 and recorded on October 7, 2002 as Instrument No. 0200210701, in the amount of \$9,000.00, secured by the same property; and

WHEREAS, Eleanor F. Bennett, a single person, wishes to execute a Deed of Trust and Note in the amount of \$60,001 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 Deeds of Trust to their lien priority; and

WHEREAS, the value of the above-described real estate is sufficient to adequately secure all three 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 agreements subordinating the lien priority of the above described Deeds of Trust from Eleanor F. Bennett, a single person, 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 agreements.

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Adopted by the City Council of the City of Grand Island, Nebraska, October 26, 2004.

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
October 21, 2004	☐ City Attorney