



City of Grand Island

Tuesday, October 26, 2004

Council Session

Item G19

**#2004-276 - Approving Subordination Agreement for House
Located at 1208 Warren Lane and Purchased Under CDBG Down
Payment Assistance Program**

Staff Contact: Jerenne Garroutte

Council Agenda Memo

From: Jerenne Garrouette, Community Development

Meeting: October 26, 2004

Subject: Subordination Agreement for House Located at
1208 Warren Lane Purchased Under CDBG Down
Payment Assistance Program

Item #'s: G-19

Presenter(s): Jerenne Garrouette, Community Development

Background

The City of Grand Island has a real estate lien on property owned by David and Michelle Grinnell, 1208 Warren Lane, in the amount of \$23,000.00 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 April 30, 1998. This lien reduces 10% per year on the anniversary date of the loan and will be forgiven totally on April 30, 2008. The balance due at this time is \$9,200.00. The owners are requesting permission to refinance their first mortgage to include some home improvement loans.

Discussion

The City's current real estate lien is junior in priority to a Deed of Trust from the owner to their finance company (Commercial Federal). 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 (New Century Mortgage) have asked the City to subordinate its real estate lien to the new Deed of Trust.

The current lien with Commercial Federal is \$48,000.00. The appraised valuation of the property is \$84,000 and is sufficient to secure the refinanced loan of \$70,000 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. 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 Agreement, placing the City's liens in the junior position to the new Deed of Trust.

Sample Motion

Approve the Subordination Agreement between the City of Grand Island and David and Michelle Grinnell, for the property located at 1208 Warren Lane.

RESOLUTION 2004-276

WHEREAS, the City of Grand Island, is the lender and secured party of a Deed of Trust dated April 30, 1998 and recorded on April 30, 1998 as Instrument No. 98-104089 secured by property located at 1208 Warren Lane and owned by David Grinnell and Michelle Haase, now known as Michelle Grinnell, husband and wife, said property being described as follows:

Lot Twelve (12), Houghkirk Subdivision in the City of Grand Island, Hall County, Nebraska, excepting therefrom a tract of land of Lot Twelve (12) conveyed to the Burlington Northern Railroad Company more particularly described as follows:

Beginning at the southwest corner of said Lot Twelve (12); thence running northwesterly along the westerly line of said Lot Twelve (12), a distance of Two Hundred Six and Eighty Nine Hundredths (206.89) feet; to the northwest corner of said Lot Twelve (12); thence deflecting right 89°59'40" and running northeasterly along the northerly line of said Lot Twelve (12), a distance of Forty Five and Sixty Eight Hundredths (45.68) feet; thence deflecting right 89°30'31" and running southeasterly a distance of Seventy Four and Eight Tenths (74.80) feet; thence deflecting right 90°28'49" and running southwesterly a distance of Thirty Six and Sixty Six Hundredths (36.66) feet; thence deflecting left 90°06'59" and running southeasterly a distance of One Hundred Thirty Two and Sixteen Hundredths (132.16) feet, to a point on the northerly right of way line of 12th Street; thence deflecting right 90°29'34" and running southwesterly along the northerly right of way line of 12th Street, a distance of Ten (10.0) feet, to the point of beginning.

WHEREAS, David Grinnell and Michelle Grinnell, husband and wife, wish to execute a Deed of Trust and Note in the amount of \$70,000 with New Century Mortgage to be secured by the above-described real estate; and

WHEREAS, the new lender, New Century Mortgage, Beneficiary, wishes to extend the new loan secured by a Deed of Trust conditioned upon the City subordinating its Deed of Trust 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 Deed of Trust from David Grinnell and Michelle Grinnell, husband and wife, to the City of Grand Island, as beneficiary to that of the new loan and Deed of Trust of New Century Mortgage, 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, October 26, 2004.

RaNae Edwards, City Clerk