



# City of Grand Island

Tuesday, January 25, 2005

Council Session

## Item G14

**#2005-31 - Approving Subordination Agreement for Home Located  
at 1216 Warren Lane Purchased Under GDBG Down Payment  
Assistance Program**

Staff Contact: Joni Kuzma

# **Council Agenda Memo**

**From:** Joni Kuzma

**Meeting:** January 25, 2005

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

**Item #'s:** G-14

**Presenter(s):** Joni Kuzma, Development Specialist

## **Background**

The City of Grand Island has a real estate lien on property owned by Troy and Cathy Lehn at 1216 Warren Lane, in the amount of \$15,240.00. This lien is a result of the City Down Payment Assistance Program. On October 16, 1999, down payment funds in the amount of \$15,240.00 were loaned to Troy and Cathy Lehn, a married couple, to assist in the purchase of a new home in the Community Development Block Grant Project area. The legal description is: Lot Ten (10), Houghkirk Subdivision to the City of Grand Island, NE, a/k/a/ 1216 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 to Commercial Federal in the amount of \$52,400. By law, the new Deed of Trust would be junior in priority to the City's lien, however, the new lender; Major Mortgage has asked the City to subordinate its real estate lien to the new Deed of Trust.

The new appraised value of the property is \$85,500 and is sufficient to secure the refinanced loan of \$66,000 and the City's loan of \$15,240. The City's loan of \$15,240 will be forgiven if the original owners of the property (Troy and Cathy Lehn) reside in the house for a period of 10 years from the date of purchase which was October 16, 1999. 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 with Major Mortgage placing the City's name in the junior position to the new Deed of Trust.

RESOLUTION 2005-31

WHEREAS, the City of Grand Island, is the lender and secured party of a Deed of Trust dated October 15, 1999 and recorded on October 19, 1999 as Instrument No. 0099110163, in the amount of \$15,240.00, secured by property located at 1216 Warren Lane and owned by Troy L. Lehn and Cathy J. Lehn, husband and wife, said property being described as follows:

Lot Ten (10), Houghkirk Subdivision in the City of Grand Island, Hall County, Nebraska.

WHEREAS, Troy and Cathy Lehn wish to execute a Deed of Trust and Note in the amount of \$66,000 with Major Mortgage to be secured by the above-described real estate; and

WHEREAS, the new lender, Major Mortgage, 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 Troy L. Lehn and Cathy J. Lehn, husband and wife, to the City of Grand Island, as beneficiary to that of the new loan and Deed of Trust of Major Mortgage, Beneficiary, as more particularly set out in the subordination agreement.

- - -

Adopted by the City Council of the City of Grand Island, Nebraska, January 25, 2005.

\_\_\_\_\_  
RaNae Edwards, City Clerk

Approved as to Form	☐ _____
January 20, 2005	☐ City Attorney