



City of Grand Island

Tuesday, June 28, 2005

Council Session

Item G16

**#2005-190 - Approving Subordination Agreement for CDBG Home
Located at 915 East 6th Street. (Alfred & Panchita Portillo)**

Staff Contact: Marsha Kaslon

Council Agenda Memo

From: Joni Kuzma, Community Development
Meeting: June 28, 2005
Subject: Subordination Agreement for House Purchased under CDBG Down Payment Assistance Program
Item #'s: G-16
Presenter(s): Joni Kuzma, Community Development Specialist

Background

The City of Grand Island has a real estate lien on property owned by Alfred & Panchita Portillo at 915 E. 6th Street, in the amount of \$24,500.00. This lien is a result of the City Down Payment Assistance Program. On January 2, 1997, down payment funds in the amount of \$24,500.00 were loaned to Alfred & Panchita Portillo, a married couple, to assist in the purchase of a home in the Community Development Block Grant Project area. The legal description is: Lot Three (3), Block Five (5), Evan's Addition to the City of Grand Island, NE, a/k/a/ 905 E. 6th Street. The owners are requesting permission to combine their first and second mortgage at a lower interest rate, which will save the homeowner over \$250 per month in house payments.

Discussion

The City's current real estate lien is junior in priority to a Deed of Trust to Wells Fargo Home Mortgage in the amount of \$42,933 and in front of a Deed of Trust to Beneficial Finance in the amount of \$32,507. These two amounts will be combined into a single loan to which the City will subordinate. By law, the new Deed of Trust would be junior in priority to the City's lien, however, the new lender; The Mortgage Authority Inc., has asked the City to subordinate its real estate lien to the new Deed of Trust.

The new appraised value of the property is \$90,000 and is sufficient to secure the refinanced loan of \$80,000 and the remaining 20% of the City's loan. The City's loan of \$24,500 will be forgiven if the original owners of the property (Alfred & Panchita Portillo) reside in the house for a period of 10 years from the date of purchase which was January 2, 1997. The Portillo's have two years left on their loan with the City. 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 The Mortgage Authority, Inc. placing the City in the junior position to the new Deed of Trust.

RESOLUTION 2005-190

WHEREAS, the City of Grand Island, is the lender and secured party of a Deed of Trust dated January 2, 1997 and recorded on January 3, 1997 as Instrument No. 97-100085, in the amount of \$24,500.00, secured by property located at 915 E. 6th Street and owned by Alfredo V. Portillo and Panchita Portillo, husband and wife, said property being described as follows:

Lot Three (3), Block Five (5), Evan's Addition to the City of Grand Island, Hall County, Nebraska.

WHEREAS, Alfredo and Panchita Portillo wish to execute a Deed of Trust and Note in the amount of \$80,000 with The Mortgage Authority, Inc. to be secured by the above-described real estate; and

WHEREAS, the new lender, The Mortgage Authority, Inc., 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 these 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 Alfredo V. Portillo and Panchita Portillo, husband and wife, to the City of Grand Island, as beneficiary to that of the new loan and Deed of Trust of The Mortgage Authority, Inc., 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, June 28, 2005.

RaNae Edwards, City Clerk

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| Approved as to Form | ☐ _____ |
| June 23, 2005 | ☐ City Attorney |