



City of Grand Island

Tuesday, April 11, 2006

Council Session

Item G20

**#2006-116 - Approving Subordination Request for Doug and Angie
Boersen, 3324 Homestead Drive**

Staff Contact: Joni Kuzma

Council Agenda Memo

From: Joni Kuzma, Community Development

Council Meeting: April 11, 2006

Subject: Subordination Request for 3324 North Homestead Drive

Item #'s: G-20

Presenter(s): Joni Kuzma, Community Development

Background

The City Of Grand Island has a Deed of Trust filed on property owned by Douglas and Angela Boersen at 3324 Homestead Drive, in the amount of \$25,000.00. On August 12, 2005, Community Development Block Grant funds in the amount of \$25,000.00 were loaned to Douglas and Angela Boersen, husband and wife, to assist in the rehabilitation of a home in the Community Development Block Grant program. The legal description is: Lot One (1) in Homestead Second Subdivision, Hall County, Nebraska a/k/a 3324 Homestead Drive. The owner is requesting permission to assume a first mortgage, behind which the City would become the second mortgage.

Discussion

The City's current Deed of Trust is junior in priority to a Deed of Trust to EquiFirst Corporation in the amount of \$94,900.00. A new lien in the amount of \$143,000.00 with the Franklin American Mortgage Company would replace the senior Deed of Trust with EquiFirst, as well as consolidate a third and fourth Deed of Trust used to finish the handicapped accessibility rehabilitation issues the family needed to address. By law, the new Deed of Trust would be junior in priority to the City's lien, however, the new lender, Franklin American Mortgage Company, has asked the City to subordinate its Deed of Trust to the new Deed of Trust.

The new appraised value of the property is \$168,000 and is sufficient to secure the first mortgage of \$143,000.00 and the City's mortgage of \$25,000.00. The City's loan of \$25,000.00 will be forgiven if the original owner of the property (Douglas and Angela

Boersen) resides in the house for a period of 10 years from the date the lien was filed which was August 12, 2006. The Boersen's have lived at this address for 3 years and will have 9 years left before the loan expires with the City. The lien amount decreases 10% per year.

Community Development Subordination guidelines state the following:

1) Community Development will subordinate within the following conditions:

- a. Re-financing the original home loan to reduce the amount of interest paid or to reduce the amount of the original monthly payment. The loan cannot exceed the original loan by more than \$500.
- b. Re-financing the original home loan for debt consolidation ONLY IF THE AMOUNT OF THE LIEN IS PAID OFF TO THE CITY OF GRAND ISLAND. The amount depends if the program prorates the payment back or if it is a 100% payoff regardless of what year it is in.
- c. Only one subordination granted every 5 years per applicant.
- d. Loans must be with a NIFA or an FHA approved lender, unless it is an interest rate reduction loan and the loan amount does not increase. Only then will other consideration be given for another loan.
- e. There may be extenuating circumstances for a request. Community Development staff will consider each client on a case by case basis.
- f. All subordination requests must be submitted for approval to the Grand Island City Council. Subordination agreements cannot be signed without council approval. All requests need to be in two weeks prior to a regularly scheduled City Council meeting.

The circumstances under which Mr. and Mrs. Boersen has requested subordination have been determined by the Community Development Division to be "extenuating" and approval is recommended.

Alternatives

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

1. Approve the Subordination Request.
2. Refer the issue to a Committee.
3. Postpone the issue to a later date.

Recommendation

City Administration recommends that the Council approves the Subordination Request.

Sample Motion

Recommend approval to the Grand Island City Council of the Subordination Agreement with Franklin American Mortgage Company, placing the City in the junior position to the new Deed of Trust.

RESOLUTION 2006-116

WHEREAS, the City of Grand Island, is the lender and secured party of a Deed of Trust dated July 1, 2005 and recorded on August 12, 2005 as Instrument No. 0200507865, in the amount of \$25,000.00, secured by property located at 3324 N. Homestead Drive and owned by Douglas A. Boersen and Angela M. Boersen, husband and wife, said property being described as follows:

Lot One (1), Homestead Second Subdivision in the City of Grand Island, Hall County, Nebraska.

WHEREAS, Douglas and Angela Boersen wish to execute a Deed of Trust and Note in the amount of \$143,000 with Franklin American Mortgage Company to be secured by the above-described real estate 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 Deeds of Trust from Douglas A. Boersen and Angela M. Boersen, husband and wife, to the City of Grand Island, as beneficiary to that of the new loan and Deed of Trust of Franklin American Mortgage Company, 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, April 11, 2006.

Jay Vavricek, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form ☐ _____
April 6, 2006 ☐ City Attorney