



# **City of Grand Island**

**Tuesday, March 25, 2008**

**Council Session**

## **Item G10**

**#2008-100 - Approving Subordination Agreement for Doug &  
Angie Boersen, 3324 Homestead Drive**

**Staff Contact: Jonik**

# **Council Agenda Memo**

**From:** Joni Kuzma, Community Development Division

**Council Meeting:** March 25, 2008

**Subject:** Subordination Request for 3324 N. Homestead Dr.

**Item #'s:** G-10

**Presenter(s):** Joni Kuzma, Community Development  
Administrator

## **Background**

The City of Grand Island has a Deed of Trust filed on property at 3324 North Homestead Drive in the amount of \$25,000.00. In July 2005, Community Development Block Grant funds were loaned to the owners to assist in the rehabilitation of a home in the Owner-occupied rehabilitation program. The legal description is:

Lot One (1) in Homestead Second Subdivision, Grand Island,  
Hall County, Nebraska

The owner is requesting permission from the City to subordinate to a new mortgage amount and accept second position to the first mortgage.

## **Discussion**

The City's current Deed of Trust is junior in priority to a Deed of Trust to HomeComings Financial in the amount of \$95,838.00. The new lien would combine the senior Deed of Trust with a third lien through Competitive Mortgage for \$32,000 for a total first mortgage of \$132,500.00. By law, the new Deed of Trust would be junior in priority to the City's lien. However, the new lender has asked the City to subordinate to the new Deed of Trust.

The appraised value of the property is \$174,000.000 and is sufficient to secure the first mortgage of \$95,838.00, the third mortgage of \$32,000.00, and the City's mortgage of \$25,000.00. The loan from the City reduces 10% annually for a period of 10 years. If the

owners live at this property for 10 years from the origination date of the Deed of Trust, the lien will be forgiven in full.

The Community Development Advisory Committee reviewed subordination documents and have recommended approval of the request.

### **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 approve the Subordination Request placing the City in second position to the new Deed of Trust.

### **SAMPLE MOTION**

Move to approve the Subordination Agreement placing the City in second position to the new Deed of Trust.

## SUBORDINATION AGREEMENT

COMES NOW the City of Grand Island, Nebraska, secured party/beneficiary and hereby subordinates its trust deed/real estate lien recorded August 12, 2005 on the following described real estate:

Lot One (1) in Homestead Second Subdivision, Hall County, Nebraska  
a/k/a 3324 Homestead Drive

It is the intent of this Agreement that the trust deed for amounts loaned by Pathway to Douglas A. and Angela M. Boersen (Borrowers) that has been or is about to be filed, shall be superior to the trust deed/real estate lien of the City of Grand Island, its successors and assigns recorded August 12, 2005, up to the amount of \$132,500 plus interest and amounts advanced to protect the collateral. Thereafter, the City of Grand Island's lien shall have priority. It is further understood that this subordination shall include all current obligations, extensions, renewals, advances or modifications made by the City of Grand Island, Nebraska to Borrowers which is secured by the trust deed/real estate lien recorded August 12, 2005 as Document Number 0200507865 in the records of the Register of Deeds of Hall County, Nebraska. Nothing in this Subordination Agreement is intended as a promise to provide financing or make advances to Borrowers by the City of Grand Island, Nebraska and it is not the intention of the City of Grand Island, Nebraska to warrant or guarantee the obligations of Borrowers but merely to subordinate its lien interests under the instrument recorded at Document Number 0200507865. It is understood that Pathway intends to lend funds to Borrower/s but that the amount that will be superior to the City of Grand Island's lien is not to exceed \$132,500 plus interest and amounts advanced to protect the collateral.

Nothing in this instrument is intended to relieve Borrowers of their obligation to make payments to the City of Grand Island, Nebraska or to subordinate any other lien interests including, but not limited to, real estate taxes and special assessments.

Dated: \_\_\_\_\_

City of Grand Island, Nebraska

By \_\_\_\_\_  
Margaret Hornady, Mayor

STATE OF NEBRASKA     )  
                                      )ss.  
COUNTY OF HALL        )

The foregoing instrument was acknowledged before me on \_\_\_\_\_,  
2008, by Margaret Hornady, Mayor of the City of Grand Island, Nebraska.

\_\_\_\_\_  
Notary Public

R E S O L U T I O N    2008-100

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 \$ \$132,500.00 with Pathway 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 Pathway, 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, March 25, 2008.

\_\_\_\_\_  
Margaret Hornady, Mayor

Attest:

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

Approved as to Form <input type="checkbox"/> _____ March 21, 2008 <input type="checkbox"/> City Attorney
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