



City of Grand Island

Tuesday, March 24, 2009

Council Session

Item G14

#2009-69- Approving Subordination Agreement for 1232 Warren Lane

Staff Contact: Barbara Quandt

Council Agenda Memo

From: Barbara Quandt, Community Development
Council Meeting: March 24, 2009
Subject: Subordination Agreement for 1232 Warren Lane
Item #'s: G-14
Presenter(s): Barbara Quandt, Community Development

Background

The City Of Grand Island has a Deed of Trust filed on property owned by Kristie Lee Peterson (also known as Kristie Lee Pederson) located at 1232 Warren Lane, in the amount of \$15,435.94. On May 15, 2000, Community Development Block Grant funds in the amount of \$15,435.94 were loaned to Kristie Lee Pederson, aka Kristie Lee Peterson, a single person, for down payment assistance for purchase of a home in the Community Development Block Grant program. The legal description is:

Lot Six (6), Houghkirk's Subdivision to the City of Grand Island,
Hall County, Nebraska.

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 Union Bank and Trust Co. in the amount of \$56,400.00, which has a balance of \$48,000.00. A new lien in the amount of \$64,102.00 with US Bank Home Mortgage (Mortgage Electronic Registration Systems) would replace the senior Deed of Trust. By law, the new Deed of Trust would be junior in priority to the City's lien; however, the new lender, US Bank Home Mortgage, has asked the City to subordinate its Deed of Trust to the new Deed of Trust.

The new appraised value of the property is \$89,000.00 and is sufficient to secure the first mortgage of \$64,102.00 and the City's mortgage of \$15,435.94, which has a balance of \$1733.90. The City's loan of \$15,435.94 will be forgiven if the original owner of the property (Kristie Lee Pederson) resides in the house for a period of 10 years from the date the lien was filed which was May 16, 2000. The lien amount decreases 10% per year.

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 later date
4. Take no action on the issue

RECOMMENDATION

City Administration recommends that the Council approves the Subordination Agreement with US Bank Home Mortgage, placing the City in the junior position to the new Deed of Trust.

Sample Motion

Move to recommend approval of the Subordination Agreement with US Bank Home Mortgage, placing the City in the junior 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 recorded May 16, 2000 on the following described real estate:

Lot Six (6), Houghkirk's Subdivision, Hall County, Nebraska
a/k/a 1232 Warren Lane

It is the intent of this Agreement that the trust deed for amounts loaned by US Bank Home Mortgage (Mortgage Electronic Registration Systems) to Kristie Lee Peterson, aka Kristie Lee Pederson (Borrower) 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 May 16, 2000, up to the amount of \$64,102.00 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 Borrower which is secured by the trust deed/real estate lien recorded May 16, 2000 as Document Number 0200003956 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 Borrower 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 Borrower but merely to subordinate its lien interests under the instrument recorded at Document Number 0200003956 It is understood that US Bank Home Mortgage (Mortgage Electronic Registration Systems) intends to lend funds to Borrower but that the amount that will be superior to the City of Grand Island's lien is not to exceed \$64,102.00 plus interest and amounts advanced to protect the collateral.

Nothing in this instrument is intended to relieve Borrower 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 _____, 2009, by Margaret Hornady, Mayor of the City of Grand Island, Nebraska.

Notary Public

SUBSTITUTION OF TRUSTEE

Wesley D. Nespor, attorney at law, is hereby appointed successor trustee under the trust deed executed by Kristie Lee Pederson, a single person, as Trustor, in which the City of Grand Island is named Beneficiary and Charles Cuypers, Attorney, as Trustee, and filed for record May 16, 2000 and recorded as Instrument No. 0200003956 in the office of the Register of Deeds of Hall County, Nebraska. The trust property affected is legally described as follows:

Lot Six (6), Houghkirk’s Subdivision in the City Of Grand Island,
Hall County, Nebraska, aka 1232 Warren Lane.

Margaret Hornady, Mayor

STATE OF NEBRASKA)
) ss.
COUNTY OF HALL)

On this _____ day of _____, 2009, before me, the undersigned , a General Notary Public, duly commissioned and qualified, personally came Margaret Hornady, Mayor, and acknowledged the execution of this substitution to be his voluntary act and deed on behalf of the Beneficiary.

WITNESS my hand and notary seal the day and year last above written.

Notary Public

RESOLUTION 2009-69

WHEREAS, the City of Grand Island, is the lender and secured party of a Deed of Trust dated May 15, 2000, in the amount of \$15,435.94, secured by property located at 1232 Warren Lane and owned by Kristie Lee Pederson, a single person, said property being described as follows:

Lot Six (6), Houghkirk's Subdivison to the City of Grand Island, NE.,
Hall County, aka 1232 Warren Lane

WHEREAS, Kristie Lee Peterson, aka Kristie Lee Pederson, wishes to execute a Deed of Trust and Note in the amount of \$64,102.00 with U.S. Bank Home Mortgage (Mortgage Electronic Registration Systems) 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 Kristie Lee Pederson, a single person, to the City of Grand Island, as 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 24, 2009.

Margaret Hornady, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form ☐ _____
March 20, 2009 ☐ City Attorney