



City of Grand Island

Tuesday, August 25, 2015

Council Session

Item G-14

#2015-228 - Approving Subordination Agreement for Shari Trompke, 254 S. Vine Street

Staff Contact: Charley Falmlen

Council Agenda Memo

From: Charley Falmlen, Community Development

Meeting: August 25, 2015

Subject: Approving Subordination Agreement for Shari Trompke, 254 S. Vine Street

Presenter(s): Charley Falmlen, Community Development

Background

The City Of Grand Island has two Deeds of Trust filed on property owned by Shari Trompke, a single person, located at 254 S. Vine Street, in the amount of \$33,152.06. In 2006 and 2008, two different sets of Community Development Block Grant funds totaling the amount of \$33,152.06 were loaned to Shari Trompke, to assist in the rehabilitation of a home in the Owner-occupied rehabilitation program as part of the Community Development Block Grant program. The legal description is:

Lot 6, Block 4, Koehler Place, City Of Grand Island, Hall County, Nebraska.

The owner is requesting permission from the City to subordinate to a new mortgage amount of \$58,000.00 and accept second position to the first mortgage. Shari Trompke, currently owns the property and is seeking a new mortgage with Cornerstone Bank of Marquette. The new lender is requesting first position on the Deed of Trust. The house will remain occupied and property taxes will continue to be paid. The equity in the property is in excess of the lien amounts held by both the City and the bank.

Discussion

The City's current lien is in the amount of \$33,152.06, which has a balance of \$10,428.94 due to 10% being forgiven annually. A new lien in the amount of \$58,000.00 with Cornerstone Bank of Marquette would replace the City of Grand Island's senior lien. By law, the new lien, with Cornerstone Bank, would be junior in priority to the City's lien; however, the Cornerstone, has asked the City to subordinate its lien to the new lien.

The appraised value of the property is \$86,000.00, as of June 22, 2015, and is sufficient to secure the first mortgage of \$58,000.00 and the City's remaining mortgage of \$10,428.94. The City's loan is a zero percent interest loan that is due only when the homeowner sells the house.

Alternatives

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

1. Move to 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 Council approve the Subordination Agreement with Cornerstone Bank, placing the City in the junior position to the new Deed of Trust.

Sample Motion

Move to approve the Subordination Agreement with Cornerstone Bank.

SUBORDINATION AGREEMENT

COMES NOW the City of Grand Island, Nebraska, secured party/beneficiary and hereby subordinates its trust deed/real estate lien recorded April 4, 2008 on the following described real estate:

Lot 6, Block 4, Koehler Place, City of Grand Island, Hall County, Nebraska

It is the intent of this Agreement that the trust deed for amounts loaned by Cornerstone Bank to Shari Trompke (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 April 4, 2008, up to the amount of \$8152.06 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 April 4, 2008 as Document Number 0200802843 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 0200802843. It is understood that Cornerstone Bank 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 \$58,000 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

STATE OF NEBRASKA)
)ss.
COUNTY OF HALL)

By _____
 Jeremy L. Jensen, Mayor

The foregoing instrument was acknowledged before me on _____, 2015, by Jeremy L. Jensen, Mayor of the City of Grand Island, Nebraska.

Notary Public

SUBORDINATION AGREEMENT

COMES NOW the City of Grand Island, Nebraska, secured party/beneficiary and hereby subordinates its trust deed/real estate lien recorded December 21, 2006 on the following described real estate:

Lot 6, Block 4, Koehler Place, City of Grand Island, Hall County, Nebraska

It is the intent of this Agreement that the trust deed for amounts loaned by Cornerstone Bank to Shari Trompke (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 December 21, 2006, up to the amount of \$25,000 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 December 21, 2006 as Document Number 0200611282 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 0200611282. It is understood that Cornerstone Bank 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 \$58,000 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 _____
Jeremy L. Jensen, Mayor

STATE OF NEBRASKA)
)ss.
COUNTY OF HALL)

The foregoing instrument was acknowledged before me on _____, 2015, by Jeremy L. Jensen, Mayor of the City of Grand Island, Nebraska.

Notary Public

RESOLUTION 2015-228

WHEREAS, the City of Grand Island, is the lender and secured party of two Deeds of Trust dated August 30, 2006 and February 26, 2008 and recorded on December 21, 2006 and April 4, 2008, as Instrument No.0200611282 and No. 0200802843 respectively, in the total amount of \$33,152.06 secured by property located at 254 S. Vine Street and owned by Shari Trompke, said property being described as follows:

Lot 6, Block 4, Koehler Place, City of Grand Island, Hall County, Nebraska

WHEREAS Shari Trompke wishes to execute a Deed of Trust in the amount of \$58,000 with Cornerstone Bank of Marquette, to be secured by the above-described real estate upon the subordination of the City's Deed of Trust to their lien priority; and

WHEREAS, the value of the above-described real estate is sufficient to adequately secure both loans; and

WHEREAS, the requested subordination of the City's lien priority is in the best interests of all parties; and

WHEREAS, the City Attorney's office has reviewed and approved the proposed agreement.

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 Shari Trompke, to the City of Grand Island, as beneficiary to that of the new loan and Deed of Trust of Cornerstone Bank of Marquette, 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, August 25, 2015

Jeremy L. Jensen, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☒ _____
August 21, 2015	☒ City Attorney