

**OFFICE OF COMMUNITY DEVELOPMENT
HOME BUYER DOWN PAYMENT ASSISTANCE PROGRAM
SUBORDINATION POLICY**

Background

The purpose of the Homebuyer Down Payment Assistance Program is to provide low-to moderate-income first-time homebuyers with funds for down payment and closing costs to purchase their first home. Homebuyer Down Payment Assistance loans are typically structured as 10-year Second Mortgages, due upon sale loans or 5-year forgivable loans.

When a request to subordinate a loan is received, HOME staff must determine whether the request adversely affects the security of the loan, and whether the request protects the best interest of the homeowner.

Conditions

The HOME Deed of Trust will be subordinated to a refinancing of debt in the following instances and upon the following conditions:

- The new primary loan amount does not exceed the sum of:
 - the current balance of the existing primary loan (principal, interest and all amounts advanced by the lender under its loan documents, e.g., insurance, taxes, etc.)
- + reasonable refinancing costs and points not to exceed 5% of the existing loan balance; and
 - (1) The senior mortgage being refinanced is structured as a balloon note and the balloon note has reached its maturity; or
 - (2) The senior mortgage is being reduced in term; or
 - (3) The senior mortgage interest rate is being reduced by at least 1% (may be waived at OCD's discretion).
- The new primary loan exceeds the sum of:
 - the current balance of the existing primary loan (principal, interest and all amounts advanced by the lender under its loan documents, e.g. insurance, taxes, etc.)
- + reasonable refinancing costs and points not to exceed 5% of the existing loan balance; and

- (1) The new interest rate does not exceed 1% of the interest rate on the existing primary loan; and
- (2) Owner provides a current property appraisal or comparative market analysis (CMA) evidencing a property value equal to or exceeding the amount of the new primary loan amount plus the outstanding balance of the HOME loan at the time the subordination request is made and any other outstanding mortgages on the property; and
- (3) No adjustable rate loans will be acceptable unless borrower is refinancing an existing adjustable rate loan. Back end ratios may not exceed 50%. Taxes and insurance payments must be escrowed, and considered in ratios.

Documentation

The following documentation must be received from the borrower to make a determination of eligibility under the subordination policy:

1. Written request from the homeowner requesting subordination and explaining reason for the request.
2. St. Louis County Subordination Worksheet
3. Appraisal or CMA for the property (unless OCD Waives).
4. Projected settlement statement (GFE) for refinance
5. Loan commitment letter from lender stipulating rate and term of new loan.
6. Commitment for Title Insurance listing existing Deeds of Trust on property.

Processing Fee

A non-refundable processing fee of \$100 payable to St. Louis County Office of Community Development is required for all requests for subordinations.