

SUBORDINATION REQUIREMENTS

CITY OF EL CAJON/EL CAJON HOUSING AUTHORITY

(All programs)¹

The City of El Cajon and El Cajon Housing Authority will subordinate FTHB and Single-Family Rehabilitation Loan Program loans under the following conditions:

■ **New Loan Terms:**

FHA, VA, Conventional, no cash-out refinances where there is a reduction of PITI **and** an improvement in loan terms. Impounds on the new first mortgage will be required. The new 1st mortgage loan amount cannot increase beyond the 1st mortgage balance at purchase, or current 1st mortgage balance plus \$5,000 for closing costs and impounds, whichever is less. In addition, the City/Housing Authority will not subordinate to negatively amortizing, prepayment penalty, reverse mortgage loans, or financing subordinate to City/Housing Authority liens.

■ **Cash Back/Cash-Out:**

All refinance loan proceeds must be applied as a principal-reduction payment to the City/Housing Authority's loan balance.

■ **Documentation required for City/Housing Authority's review:**

- (1) Copy of the new lender application (1003)
- (2) Copy of the appraisal
- (3) Copy of the preliminary title report
- (4) Copy of an accurate estimated closing statement from escrow
- (5) Copy of escrow instructions
- (6) Credit Report (3) Merge (Borrower(s)/Spouse)
- (7) Copy of the new 1st Mortgage Note (and Riders, if applicable)
- (8) Copy of the 1st mortgage payoff demand
- (9) Subordination fee of \$200 (**effective 6/6/2012**)
- (10) Statement of Information (SI)
- (11) Any additional documentation that may be requested by the City/Housing Authority

■ **Buy-Down Balances:**

If the payoff of the 1st mortgage has a remaining interest rate buy-down balance currently in escrow, those monies must be applied to the payoff balance at close of escrow and may not be refunded to the borrower.

■ **City/Housing Authority loan status:**

If the Borrower is required to make payments on an existing City/Housing Authority loan and those payments are currently in arrears, the Borrower must pay all outstanding monthly or other amounts due up to and including the month of issuance of the requested Subordination Agreement(s).

■ **Exceptions:**

In the event an exception to these Subordination Requirements is requested and granted, the City/Housing Authority may require execution and recording of a Loan Modification Agreement, including any/all other applicable documentation necessary for approval, through close of escrow.

■ **Re-Review after a Subordination Has Been Issued:**

If loan terms change after a Subordination Agreement has been issued to the refinance Lender, Escrow Company or Title Company, there will be an additional fee of \$50.00 for re-review of the proposed loan terms and issuance of a second or each subsequent Subordination Agreement.

■ **Send all documentation to the City/Housing Authority as follows:**

CITY OF EL CAJON
COMMUNITY DEVELOPMENT DEPARTMENT
HOUSING DIVISION
200 CIVIC CENTER WAY
EL CAJON, CA 92020-3996
(619) 441-1710
(619) 441-1743 fax

The City/Housing Authority will review the above documentation for compliance with existing guidelines and will generally render a decision within 7-10 business days of all requested documentation. A Subordination Agreement and any other applicable documentation will be issued by the City/Housing Authority and will be forward to the escrow company with specific instructions for compliance, unless instructed otherwise.

¹ Except Granite Hills Place properties (Nicholas Street, Nicholas Way, Nicholas Place, etc.). Please contact the City at (619) 441-1710 for specific subordination guidelines on this project.