



PLANNING AND DEVELOPMENT

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Memorandum

To: Housing Rehabilitation Review Board
From: Housing Rehab Client 99202
Date: 05/08/2018
Re: Subordination Request

18-0652 Subordination Request

Client #99202 has a housing rehab loan with the City of La Crosse. The rehab was approved 03/21/2002 and completed 05/03/2004. As of 5/08/2018 the principal and interest balance of the loan is \$23,349.89. As of today, their first mortgage is approximately \$37,000 at 3.75% interest with 14 years remaining.

The owner is requesting that the City of La Crosse subordinate to a new fixed first mortgage with Altra Federal Credit Union with the following terms:

- \$37,000.00, interest rate of **3.19% for 10 years fixed.**
- No closing costs will be financed in the new mortgage

2017 Fair Market Value	\$ 110,200.00
Proposed Mortgage	-\$ 37,000.00
Remaining Equity in the property	\$ 73,200.00
Housing Rehab loan and interest as of 5/8/2018	<u>-\$ 23,349.89</u>
Remaining Equity in the property	\$ 49,850.11

Staff attempted to contact the homeowner to discuss the option of refinancing the Rehab loan with the 1st mortgage, as it appears they are trying to gain equity in the home as at faster pace than what they had been. Homeowner did not respond. Asked the banker to discuss the possibility with the homeowner and they stated that the homeowner was not interested in paying off the mortgage at this time. \$480.73 is being added to the loan balance and taking away from the equity each year.

Staff recommends that we approve the subordination. There is sufficient equity in the home, so the City's interest is not at risk. There is no cash out in the refinance and homeowner is looking to better their situation.

JASON GILMAN, AICP, PLANNING & DEVELOPMENT DIRECTOR
ANDREA SCHNICK, ECONOMIC DEVELOPMENT PLANNER
TIM ACKLIN, SENIOR PLANNER - HERITAGE PRESERVATION
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CAROLINE GREGERSON, COMMUNITY DEVELOPMENT ADMINISTRATOR
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TARA FITZGERALD, FEDERAL PROGRAMS ACCOUNTING TECHNICIAN