



PLANNING AND DEVELOPMENT

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Memorandum

To: Community Development Committee
From: Renovate Client #Reno0418
Date: December 10, 2019
Re: Subordination Request

19-1788 Subordination Request

Client #Reno0418 has a Renovation loan with the City of La Crosse. The rehab project was approved on 04/10/2018 and completed 9/10/2018. As of 12/10/2019 the principal and interest balance of the loan is \$24,236.45. Their first mortgage is approximately \$49,393 at 6.15% with 17 years remaining.

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

- \$53,000 with an interest rate of 3.375% fixed with a term of 15 years.
- \$4,235 in closing costs (\$1525 in fees & \$2710 in escrow/prepays).

Appraised Value	\$ 115,000.00
Proposed Mortgage	-\$ 53,000.00
Remaining Equity in the property	\$ 62,000.00
Renovate Loan Balance	<u>-\$ 24,236.45</u>
Remaining Equity in the property	\$ 37,763.55

Staff recommends that we approve the subordination. There is sufficient equity in the property to support the refinancing structure. With the refinance, the homeowner is lowering the interest as well as shortening the term of the mortgage. This will allow the homeowner to gain equity at a much faster rate.

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