



PLANNING AND DEVELOPMENT

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Memorandum

To: Community Development Committee

From: Housing Rehab Client #120315

Date: May 12, 2020

Re: Subordination Request

20-XXXX Subordination Request

Client #120315 has a housing rehab loan with the City of La Crosse. The rehab project was approved on 10/6/2015 and completed on 2/29/2016. The amount of the loan is \$10,630. As of 5/12/2020 the loan balance is \$11,081.70. Their first mortgage is approximately \$80,700 at 4.25% interest with about 24 years remaining. They also have a Mortgage from Couleecap in the amount of \$1,000 that is due to be forgiven in January 2021. The 2019 fair market value is \$128,500.

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:

- \$80,500 with an interest rate of 2.925% fixed with a term of 15 years.
- \$2,975 in loan costs and fees, to be paid by borrower at closing.

2019 FMV	\$ 128,500.00
Proposed Mortgage	-\$ 80,500.00
Couleecap Forgivable Loan	1,000.00
Remaining Equity in the property	\$ 47,000.00
Housing Rehab loan and interest	<u>-\$ 11,081.70</u>
Remaining Equity in the property	\$ 35,918.30

Staff recommends that the subordination be approved. There is sufficient equity in the property to support the refinancing structure. With the refinance, the homeowner is lowering the interest rate and duration of the loan. This will strengthen the security of the City mortgage as equity is gained in the property. Staff asked them to consider including a payoff for the City in the first mortgage and this was the homeowner response: "Yes I do know that the loan is repayable and not forgivable. I also believe I have sufficient equity in my property to repay that loan in the future. I would still like to subordinate rather than pay it off. I am worried that it would push my payment higher than I am comfortable paying if I had to add on that extra debt."

JASON GILMAN, AICP, PLANNING & DEVELOPMENT DIRECTOR
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