



PLANNING AND DEVELOPMENT

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Memorandum

To: Community Development Committee
From: Replacement Housing Client # 182162
Date: 02/9/21
Re: Subordination Request

21-0164 Subordination Request

Client# 182162 has a deferred 2nd mortgage with the City of La Crosse in the amount of \$36,900. This home was sold on November 16, 2018 for \$156,900. They currently have a **Conventional 1st Mortgage**, with a **5.175%** fixed interest rate in the amount of \$116,633 and 27 years remaining.

The owner is requesting that the City of La Crosse subordinate to a new fixed 1st mortgage, with Altra Federal Credit Union with the following terms:

- \$119,000, interest rate of **2.85% for 30 years fixed**
- \$2367 estimated in closing costs and escrows to be financed.

2020 Fair Market Value	\$ 200,000
Proposed New 1st Mortgage	-\$ 119,000
Remaining Equity in the property	\$ 81,000
Replacement Housing Loan 2nd Mortgage (P&I estimate)	<u>-\$ 39,369</u>
Remaining Equity in the property	\$ 41,631

Staff recognizes request for payment of equity built in to first mortgage to pay down the 2nd mortgage with the City is suggested in the policy, however it is not recommended in this case. The original balance of the first mortgage was \$120,000 and the proposed new first mortgage is \$119,000 which includes closing costs and escrow adjustments. This makes owner paid in equity only \$1000. The current refinance structure will allow for more productive payments towards equity, but it is not in the owner's or City's best interest to collect the equity earned at this time.