



PLANNING AND DEVELOPMENT

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Memorandum

To: Community Development Committee
From: Replacement Housing Client # 182213
Date: 08/11/20
Re: Subordination Request

20-1099 Subordination Request

Client# 182213 has a deferred 2nd mortgage with the City of La Crosse in the amount of \$40,000. This home was sold on June 15, 2018 for \$169,000. They currently have a **Conventional 1st Mortgage**, with a **4.75%** fixed interest rate in the amount of \$115,866.06 and 28 years remaining.

The owner is requesting that the City of La Crosse subordinate to a new fixed 1st mortgage, with Park Bank with the following terms:

- \$120,280, interest rate of **2.5% for 30 years fixed**
- \$4416.67 estimated in closing costs and escrows to be financed.

2019 Fair Market Value	\$ 203,000
Proposed New 1st Mortgage	-\$ 120,280
Remaining Equity in the property	\$ 82,720
Replacement Housing Loan 2nd Mortgage (P&I estimate)	<u>-\$ 42,587</u>
Remaining Equity in the property	\$ 40,133

Staff recommends request for payment of equity built in to first mortgage to pay down the 2nd mortgage with the City. Recommendation for at least \$13,000 to be paid down, as the client stated that the original balance of the first mortgage was to be \$129,000. Title work shows that the first mortgage was only \$122,000. Staff would also like to point out that this reduction in the 2nd mortgage will benefit the client and their interest in the equity of the property, as the interest rate on the 2nd mortgage is higher than the interest rate for the proposed first mortgage. This recommendation is supported by the Replacement Housing Policies and Procedures page 34:

If the Buyer refinances their first mortgage loan at any time before the City's Deferred Payment Loan is satisfied, the equity built in the amount of the principal on the first mortgage, shall be paid to the City and applied to the principal balance of the City's Deferred Payment Loan. This requirement may be waived at the discretion of the Community Development Committee.