

**MAYOR'S OFFICE OF HOUSING
CITY AND COUNTY OF SAN FRANCISCO**



**GAVIN NEWSOM
MAYOR**

**DOUGLAS SHOEMAKER
DIRECTOR**

POLICY STATEMENT

***Subordination of City Loans and Liens in Mayor's Office of Housing (MOH)
First-Time Homebuyer Programs***

The purpose of the City Loans and Liens are to assist in increasing first-time homeownership affordability for low and moderate-income buyers. Further, it is the goal of the Mayor's Office of Housing to continue the availability of these subsidies through re-use where possible.

Starting April 1, 2009, refinancing borrowers must work with loan officers on the participating lender lists. This ensures awareness of full restrictions on the property, and expedites the request process.

MOH will consider subordinating City Loans and Liens if the following conditions are met:

- 1) The subordination, in the opinion of the City, satisfies the purposes of the programs outlined above.
- 2) Borrower is getting a lower interest rate or better loan terms. Only fixed-rate refinance is allowed. New loan amount does not exceed the original mortgage amount.
- 3) No cashout in the refinance. The borrower is not allowed to get cash equity out from the property, except for equity resulting from pay down of the original mortgage amount.
- 4) Loan-To-Value (LTV) does not exceed 95%, unless due to a decline below original purchase price.
- 5) The City's security interest in the property is not adversely affected.
- 6) The refinancing does NOT include amounts to be spent on improvements to the property; unless, in the City's judgment, such improvements are necessary to protect the City's security interest.

Should subordination be agreed to, the following additional requirements must be met:

- 1) The borrower must submit evidence that he/she meets standard loan underwriting and credit standards.
- 2) All delinquent taxes or liens must be cleared as part of the loan settlement.
- 3) If the owner is refinancing existing indebtedness, the amount to which the City is subordinating shall not exceed the greater of (a) the original principal amount of the first mortgage, or (b) the current outstanding balance of the first mortgage and customary closing costs.
- 4) If the City has consented to owner borrowing additional funds for improvements or other permitted purposes, the amount to which the City is subordinating shall not exceed the sum of the amount of any permitted additional borrowing and the greater of (a) the original principal amount of the first mortgage, or (b) the current outstanding balance of the first mortgage and customary closing costs.
- 5) Funds for eligible improvements are to be escrowed pending completion of work.

(Rev 03/2009)