

**RICHFIELD HOUSING AND REDEVELOPMENT AUTHORITY  
SUBORDINATION & SATISFACTION POLICY**

EFFECTIVE NOVEMBER 2020

**Subordinations**

Richfield Housing and Redevelopment Authority (HRA) loan recipients requesting subordination of the interest of the HRA in real property must submit a Subordination Request Form, the required supporting documentation, and a processing fee. Forms are available on the City of Richfield website (<http://www.richfieldmn.gov/subordinations>) or by calling the Community Development Department at 612-861-9760. Requests will not be considered until all documents and the processing fee have been received.

**Required Documents**

The following information must be submitted with the Subordination Request Form:

1. A typed letter dated and signed by the mortgagor or lender, stating the reason for the requested subordination and the use of any equity being removed as part of the loan transaction.
2. A copy of the current appraisal (dated within six months of application) or other evidence of market value of the property that is acceptable to the HRA.
3. A copy of current title work (must indicate all debt against the property).
4. Explanation of any debts to be paid off or consolidated as part of the subordination process, along with supporting documentation (if applicable).
5. Estimated closing costs/settlement statement, where applicable.
6. A copy of the mortgagor's loan application.
7. Additional documentation may be required.

**Evaluation Criteria**

The Richfield HRA will subordinate its mortgage interest if all of the following conditions are met, to the extent that they are applicable:

1. Closing costs are reasonable. Generally this shall mean that the sum of all discount points, origination fees, and lender ancillary fees generally shall not exceed 3% of the new first mortgage amount.
2. If the HRA believes that the payment terms of the refinance are within the financial means of the borrower.
3. The total debt secured by the property, including the HRA lien and all superior mortgages, does not exceed 80% of the documented market value of the property.
4. Any equity being removed beyond the cost of the loan transaction will be used to improve the property. A typed letter, dated and signed by the applicant, must be submitted stating the use of any equity being removed.
5. The overall value of superior debt must not be increased by more than 50%.

6. No more than two subordination request may be approved by the HRA per five year period.
7. Property taxes, if not escrowed by the superior mortgage holder, must be current.

The HRA will not subordinate to reverse mortgages. In most cases, interest-only loans or loans with interest-only options, revolving lines of credits or debt consolidation will not be allowed unless the HRA determines that an acceptable reason warrants this type of loan.

The HRA may approve other subordination requests not meeting the conditions above on a case-by-case basis that are clearly in the best interests of the HRA, where the security of the HRA loan remains acceptable and denial of the request will cause or contribute to a documented hardship on the part of the borrower.

As a condition of approval, the HRA may require the Borrower to receive financial counseling. While many courses are available at no charge, the Borrower is responsible for any costs associated with the counseling. The course must be approved by the HRA.

### Appeal Process

In cases where a subordination request does not meet the Policy, the Executive Director may grant an Administrative Exception per the criteria listed in the table below.

If an application is denied an Administrative Exception, the applicant may request an appeal in writing. Appeals will be submitted by staff to the HRA at the next regularly scheduled meeting, provided the request is made at least 10 days prior to that meeting. The HRA meets on the third Monday of each month.

CRITERIA	POLICY	ADMINISTRATIVE EXCEPTION	HRA Appeal
Loan to Value	No greater than 80%	Greater than 80% if: <ul style="list-style-type: none"> <li>• Amount of increase to mortgage is only due to financing charges (closing costs), or;</li> <li>• New mortgage improves the homeowner's ability to make monthly payments and avoid foreclosure and/or financial hardship.</li> <li>• Homeowner is financing or refinancing a documented home improvement project. Refinance must be completed within 1 year of project completion.</li> </ul>	Greater than 80%, if the administrative exception criteria do not apply

Cash-out/equity removal	<ul style="list-style-type: none"> <li>Housing-related expenses allowed</li> <li>Up to \$2,000 in cash-out allowed at closing.</li> </ul>	<p>For non-housing-related cash out:</p> <ul style="list-style-type: none"> <li>Up to \$15,000 in cash-out, subject to the approval of the Executive Director</li> <li>Must include explanation of use of funds</li> <li>Must meet all other subordination criteria of the existing policy.</li> </ul>	<ul style="list-style-type: none"> <li>Non-housing related expenses beyond \$15,000, or;</li> <li>Denied an Administrative Exception</li> </ul>
Increase in amount of superior debt	Can increase no more than 50%.	<p>May increase more than 50%, when:</p> <ul style="list-style-type: none"> <li>Superior debt is unusually low and sufficient equity protection exists.</li> <li>Homeowner is financing or refinancing a documented home improvement project. Refinance must be completed within 1 year of project completion.</li> </ul>	Proposed increase of more than 50%, without the exceptions made for through an Administrative Exception.

### **Fees**

The fee for a subordination request is established by the HRA. If the subordination request is denied, the fee will be returned with a letter explaining the reason(s) for denial. An additional fee is required for an appeal to the HRA and is non-refundable.

### **Processing**

Subordination requests will be processed by HRA staff, who will submit the request with a recommendation for action, to the Executive Director. The Executive Director has the authority to grant a subordination request when, based on his or her discretion, the subordination is reasonable based on the criteria set forth in this Policy. The Executive Director may request review and final decision by the HRA. Requests for subordination should be submitted 30 days prior to the date the agreement to subordinate is needed. Exceptions may be made on a case-by-case basis.

### **Satisfactions**

When a loan made by the HRA is paid in full, a document satisfying the lien will be prepared by the HRA, executed by the Executive Director or his or her delegate and delivered to the borrower for recording. The borrower is responsible for the cost of recording the satisfaction.

More information can be found online at: <http://www.richfieldmn.gov/subordinations>