

SUBORDINATION/ SECOND MORTGAGE DISCLOSURE

A second mortgage will be placed on all homes assisted by the City of Boynton Beach in the amount equal to funding assistance. A homeowner assisted by the State Housing Initiatives Partnership (SHIP) or Community Development Block Grant (CDBG) programs may not refinance his/her first mortgage or take out another mortgage unless the City agrees to subordinate its second mortgage. The subordination policy utilized by the City of Boynton Beach is:

- The City of Boynton Beach does not support the owner using equity for any items other than the property only. If the purpose of the new loan is home repair or reasonable improvements, the need must be substantiated by an inspection of the property by the City of Boynton Beach Construction Coordinator, and the homeowner must furnish the contract for the proposed repairs.
- The City of Boynton Beach will NOT subordinate its mortgage for owners attempting to obtain a Line of Credit or consolidate debt, as this would enable them to increase their debt for purposes other than home improvement. The City of Boynton Beach maintains that:
 - ▶ Second mortgages are provided under the SHIP program to assist with homeownership
 - ▶ Deferred loans are provided under the CDBG or SHIP program for the exclusive purpose of rehabilitating, enhancing and/or preserving real estate.
- If the owner wants to refinance the first mortgage at a lower rate and/or for a shorter loan term, the City may subordinate if:
 - ▶ Additional money is not being borrowed (unless its purpose is for home repair or reasonable improvement).
 - ▶ The resulting housing cost (principal, interest, taxes, and insurance - PITI) does not exceed the Housing Cost (PITI) calculation of the original loan. .
 - ▶ The new loan is for a fixed rate.
- If the owner is securing a mortgage for necessary home repairs or reasonable improvements, the City of Boynton may subordinate if:
 - ▶ The combined payments of the all mortgages do not exceed 35% of the gross income.
 - ▶ The loan is for a fixed interest rate.

Subordination of loan will not be approved for purposes other than to refinance the first mortgage on the subject property to improve rate and/or term. The City of Boynton Beach will only allow One (1) subordination approval during the term of the program loan. The City may consent to a subordination of its loan to allow the homebuyer to receive cash out for emergency home repairs that become necessary to sustain homeownership and maintain the health and safety of the residents.

The City of Boynton Beach reserves the right to deny any subordination request it deems not in its' or the homeowner'(s) best interest i.e. exorbitant closing cost fees (closing cost may not exceed 6% of loan amount, interest rate may not exceed 1.5% of the current first mortgage).

The authority to approve subordinate requests or exceptions to the Subordination Policy will rest the City Manager or his/her designee.

I have read and understand this Subordination/Second Mortgage Disclosure.

Homeowner/Borrower

Date

Homeowner/Borrower

Date

The City of Boynton Beach recommend homeowners contact the City of Boynton Beach Community Improvement Division immediately if their mortgage payment becomes delinquent, to be referred to agencies that might be of assistance.

YOU WILL BE REQUIRED TO SIGN THIS DOCUMENT AGAIN AT CLOSING.