



MEMORANDUM NEIGHBORHOOD RESOURCES - COUNCIL MEMO NO. NR15-077

DATE: MARCH 9, 2015
TO: MAYOR AND MEMBERS OF THE CITY COUNCIL
THRU: RICH DLUGAS, CITY MANAGER
NACHIE MARQUEZ, ASSISTANT CITY MANAGER *NM*
JENNIFER MORRISON, COMMUNITY AND NEIGHBORHOOD SERVICES DIRECTOR *JM*
FROM: BARBARA BELLAMY, CDBG PROGRAM SUPERVISOR *BB*
RE: REQUEST FOR THE AUTHORIZATION TO SUBORDINATE THE MODERATE REHABILITATION PROGRAM LIEN ON PROJECT NUMBER RH08-0016 LOCATED AT 5633 W. BUTLER DR. IN THE AMOUNT OF \$48,039.85

RECOMMENDATION: Staff recommends that the City Council authorize the subordination of the Moderate Rehabilitation Program lien on Project Number RH08-0016, located at 5633 W. Butler Dr. in the amount of \$48,039.85

BACKGROUND AND DISCUSSION: In 2008, the owner of a single-family, owner occupied home located at 5633 W. Butler Dr. received a \$48,039.85 loan through the City's Moderate Rehabilitation Program. The City's lien against the property is for \$48,039.85. The City's loan is a 15-year forgivable loan, secured by a Deed of Trust recorded as a lien against the home, with the balance to be forgiven in 2023.

The owner is requesting to refinance the home to lower the interest rate. The new loan of \$83,465.98 reduces the interest rate, lowers the mortgage payment and the owner will receive no cash out as required by the City's refinancing policy. In order to obtain the loan, a subordination of the City's lien is required by the lending institution and the City lien will remain in the same position.

FINANCIAL IMPLICATIONS: The City will not be prejudiced by the refinancing or the subordination. The City's lien is currently in second position and will remain in second position after the refinancing is complete. The City's lien will not be released until the loan term expires in 2023.

PROPOSED MOTION: Move to approve the authorization to subordinate the Moderate Rehabilitation Program lien on the property located at 5633 W. Butler Dr. in the amount of \$48,039.85

Attachment A: Subordination Agreement
Attachment B: Letter from Desert Schools Federal Credit Union

Recording Requested by:

When recorded mail to:

City of Chandler
Neighborhood Resources
P.O. Box 4008
Chandler, AZ 85244-4008

**ATTACHMENT A
SUBORDINATION AGREEMENT
(Existing to New)**

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS AGREEMENT, made this _____ day of March 2015 by,

Stanley L. Balken, an unmarried man,

Owner of the land hereinafter described and hereinafter referred to as "Owner", and City of Chandler, an Arizona Municipal Corporation, present owner and holder of the Deed of Trust and Note first hereinafter described and hereinafter referred to as "Beneficiary";

WITNESSETH

THAT WHEREAS, Stanley L. Balken executed a Deed of Trust dated September 18, 2008 to City of Chandler (Moderate Rehabilitation Program) as Trustee, covering:

LOT 113, CRESTVIEW UNIT 3, ACCORDING TO BOOK 242 OF MAPS, PAGE 31, RECORDS OF MARICOPA COUNTY, ARIZONA. APN: 302-88-122

to secure a Note in the sum of \$48,039.85, dated 03/18/2008 in favor of City of Chandler, which Deed of Trust was recorded October 6, 2008 in Instrument No. 2008-0863636 of said County; and

WHEREAS, Owner has executed, or is about to execute, a Deed of Trust and Note in the sum of \$83,465.98 in March 2015 in favor of Desert Schools Federal Credit Union,

hereinafter referred to as "Lender", payable with interest and upon the terms and conditions described therein, which Deed of Trust is to be recorded concurrently herewith; and

WHEREAS, it is a condition precedent to obtaining said loan that said Deed of Trust last above mentioned shall unconditionally be and remain at all times a lien or charge upon the land hereinbefore described, prior and superior to the lien or charge of the Deed of Trust first above mentioned; and

WHEREAS, Lender is willing to make said loan provided the Deed of Trust securing the same is a lien or charge upon the above described property prior and superior to the lien or charge of the Deed of Trust first above mentioned and provided that Beneficiary will specifically and unconditionally subordinate the lien or charge of the Deed of Trust first above mentioned to the lien or charge of the Deed of Trust in favor of Lender; and

WHEREAS, it is to the mutual benefit of the parties hereto that Lender make such loan to Owner; and Beneficiary is willing that the Deed of Trust securing the same shall, when recorded, constitute a lien or charge upon said land which is unconditionally prior and superior to the lien or charge of the Deed of Trust first above mentioned.

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, and in order to induce Lender to make the loan above referred to, it is hereby declared, understood and agreed as follows:

- (1) That said Deed of Trust securing said Note in favor of Lender, and any renewals and extensions thereof, shall unconditionally be and remain at all times a lien or charge on the property therein described, prior and superior to the lien or charge of the Deed of Trust first above mentioned.
- (2) That Lender would not make its loan above described without this subordination agreement.
- (3) That this agreement shall be the whole and only agreement with regard to the subordination of the lien or charge of the Deed of Trust first above mentioned to the lien or charge of the Deed of Trust in favor of lender above referred to and shall supersede and cancel, but only insofar as would affect the priority between the Deeds of Trust hereinbefore specifically described, any prior agreement as to such subordination including, but not limited to, those provisions, if any, contained in the Deed of Trust first above mentioned, which provides for the subordination of the lien or charge thereof to another deed or Deeds of Trust or to another mortgage or mortgages.



DESERT SCHOOLS

FEDERAL CREDIT UNION

desertschools.org

February 6, 2015

To Whom it May Concern,

Enclosed are the documents needed to complete a subordination. Borrower is Stanley L Balken, property address is 5633 West Butler Drive, Chandler, Az 85226. The borrower is refinancing to lower their current rate of 4.625% down to 3.125%, the borrower is also reducing his term from 360 months to 180 months. Please note this loan falls under the Government HARP guidelines and no appraisal is required. Member will be receiving no cash back at closing. Please send approved subordination back to me, Carrie Crocker, all contact information is listed below.

I appreciate your prompt assistance with this matter. If you have any questions please contact me.

Thank you,

Carrie Crocker
First Mortgage Specialist
602-433-7086
602-634-7086
Carrie.crocker@desertschools.org

Post Office Box 2945 • Phoenix, Arizona 85062-2945 • (602) 433-7000