

MEMO TO COUNCIL

DATE: February 17, 2011
TO: Mayor and Council
FROM: Bethany Beck
Housing Program and Grants Manager
SUBJECT: Loan Subordination

PURPOSE:

Trent Moores, a 2007 participant of the Town of Payson's housing rehabilitation program, would like to refinance his existing mortgage at a lower interest rate and a reduced term. In accordance with the Town's Housing Rehab Guidelines, the proposed new financing (1) will lower Mr. Moores' monthly payment and (2) is not being used to consolidate debt or provide cash back to Mr. Moores.

In order for the refinancing to proceed, the Town has been asked to subordinate its CDGB forgivable loan for improvements to the Moores' property. If the subordination is approved, the Town's forgivable loan will continue to be in second position, as it is now.

SUMMARY:

The Town of Payson's Housing Rehabilitation Program uses CDBG funds to improve the homes of qualified applicants. The property owner receives a forgivable, non-interest bearing loan equal to the funds that are invested in his/her home. The loan is secured by a Deed of Trust and a Promissory Note.

As stated in Section D.9 of the Town's Housing Rehabilitation Guidelines, "the Town of Payson will not subordinate the lien placed against the property unless the homeowner is securing new financing for the property that will result in the reduction of the homeowner's monthly mortgage payment, such as a refinance to reduce the interest rate or to incorporate a first and second mortgage. New mortgage financing to consolidate debt or provide cash back to the homeowner will not warrant subordination of the Town of Payson's lien position."

According to information provided by Pioneer Title Company and Wells Fargo (Attachment A), Mr. Moores' is refinancing his home at a lower interest rate and a shorter loan term, which will also slightly reduce the monthly mortgage payment. This complies with Town's criteria for allowable subordination of its lien. A draft subordination agreement, provided by Pioneer Title Company, is attached (Attachment B).

Wells Fargo Home Mortgage
115 E. Hwy 260
Payson, AZ 85541
Tel: 928-472-7342
Fax: 866-656-0784

To: The Town of Payson

From: Douglas K. Brandi, Home Mortgage consultant

Re: Refinance for Trent Moores

Date: February 17, 2011

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Wells Fargo is in the process of refinancing Mr. Moore's first mortgage which was originally financed on 10/1/2003. This loan was for 30 years at an interest rate of 6.5%. Current breakdown on the payment is as follows:

Principal and Interest	\$606.79
County Tax	94.05
Hazard Insurance	47.92
MIP Premium	76.80
Over/Shortage Adjustment	<u>8.80</u>
Total	\$834.36

Terms on the loan in process are for 20 years at 5.25% monthly breakdown as follows:

Principal and Interest	\$599.05
County Tax	94.05
Hazard Insurance	47.92
MIP Premium	71.12

Over/Shortage Adjustment 8.80
Total \$820.94

Closing costs are being rolled into the loan and Mr. Moores is not getting cash back at closing.

Thank you,

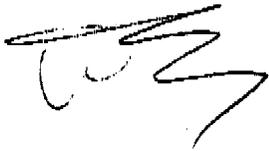
A handwritten signature in black ink, appearing to be 'T. S.', written in a cursive style.

EXHIBIT "A"

to Resolution No. 2591

at the request of Pioneer Title Agency, Inc.

when recorded mail to:

Pioneer Title Agency, Inc.
421 S. Beeline Hwy
Payson, AZ 85547

00132226-RD

SUBORDINATION AGREEMENT

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 February 09, 2011 by:

TRENT MOORES, AND UNMARRIED MAN,

owner of the land hereinafter described and hereinafter referred to as "Owner", and

TOWN OF PAYSON, 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, **TRENT MOORES**

did execute a deed of trust, dated 26th day of November, 2007, to: **TOWN OF PAYSON, an Arizona Municipal Corporation,**

as Trustee covering:

Lot 12, Block 3, PINE RIDGE ADDITION REPLATTED, according to Map No. 80, records of Gila County, Arizona.

to secure a note in the sum of \$70,469.00, dated November 26, 2007, in favor of **The Town of Payson, an Arizona municipal Corporation**, which deed of trust was recorded December 05, 2007 in document # 2007-019832, Official Records of said county; and

WHEREAS, Owner has executed, or is about to execute, a deed of trust and note in the sum of \$ _____, dated _____, in favor of **Wells Fargo Home Mortgage**, hereafter referred to as "Lender", payable with interest and upon the terms and conditions described therein, which deed of trust is also to be recorded concurrently herewith; and

WHEREAS, it is a condition precedent to obtaining said loan from Lender 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:

SUBORDINATION, RECORDED DEED OF TRUST TO DEED OF TRUST OF RECORD

Initials: _____ (Page 1 of 3)

(1) That said deed of trust securing said note in favor of Lender, and any renewals or 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 agreements as to such subordination, including, but not limited to, those provisions, if any, contained in the deed of trust first above mentioned, which provide for the subordination of the lien or charge thereof to another deed or deeds of trust or to another mortgage or mortgages.

Beneficiary declares, agrees and acknowledges that:

(a) He consents to and approves (1) all provisions of the note and deed of trust in favor of Lender above referred to, and (2) all agreements, including but not limited to any loan or escrow agreements, between Owner and Lender for the disbursement of the proceeds of Lender's loan;

(b) Lender in making disbursements pursuant to any such agreement is under no obligation or duty to, nor has Lender represented that it will, see to the application of such proceeds by the person or persons to whom Lender disburses such proceeds and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat the subordination herein made in whole or in part;

(c) He intentionally and unconditionally waives, relinquishes and subordinates the lien or charge of the deed of trust first above mentioned in favor of the lien or charge upon said land of the deed of trust in favor of Lender above referred to and understands that in reliance upon and in consideration of, this waiver, relinquishment and subordination specific loans and advances are being and will be made and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination; and

(d) An endorsement has been placed upon the note secured by the deed of trust first above mentioned that said deed of trust has by this instrument been subordinated to the lien or charge of the deed of trust in favor of Lender above referred to.

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

The Town of Payson

BY: _____

TRENT W. MOORES

(ALL SIGNATURES MUST BE ACKNOWLEDGED)

IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS SUBORDINATION AGREEMENT, THE PARTIES HEREIN CONSULT WITH THEIR ATTORNEYS WITH RESPECT THERETO.

State of Arizona }
 } ss.
County of Gila }

The foregoing instrument was acknowledged before me this _____ day of _____, 2011, by _____.

NOTARY PUBLIC

My commission expires:

State of Arizona }
 } ss.
County of Gila }

The foregoing instrument was acknowledged before me this _____ day of _____, 2011, by **TRENT W. MOORES**.

NOTARY PUBLIC

My commission expires: