

RESOLUTION NO. 2014- 32

RESOLUTION APPROVING AND AUTHORIZING THE EXECUTION OF A SUBORDINATION AGREEMENT FOR PROPERTY KNOWN AS 43 S. MYRTLE STREET, VINELAND, NEW JERSEY.

WHEREAS, the City of Vineland holds a mortgage lien against certain real estate located at 43 S. Myrtle Street, Vineland, New Jersey, in connection with their participation in the HOAP Loan Program; and

WHEREAS, the mortgage held by the City of Vineland is dated April 3, 2007, and is in the amount of Two Thousand Five Hundred (\$2,500.00) Dollars which is a "0" payment "0" interest lien and does not reduce in principal; and

WHEREAS, the owner of the real estate located at 43 S. Myrtle Street, has requested that the third priority lien which is held by the City of Vineland given to New Penn Financial, LLC, in connection with the refinancing of the first mortgage in the principal amount of One Hundred Twenty-Four Thousand, Two Hundred (\$124,200.00) Dollars and also subordinated to an existing second priority mortgage given to Great Mortgage Company, Inc., in the principal amount of Fourteen Thousand, Eight Hundred Forty-Six (\$14,846.00) Dollars; and

WHEREAS, the subordination of debt will provide more funds for the mortgagors to pay debt service and, therefore, is in the best interest of the City of Vineland that the request be accommodated.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Vineland that the Mayor and Clerk are hereby authorized and directed to execute a Subordination Agreement subordinating the HOAP Loan Mortgage in the principal amount of Two thousand, Five Hundred (\$2,500.00) Dollars dated April 3, 2007, to a first priority mortgage given by the owner to New Penn Financial, LLC, with a principal amount of the mortgage not to exceed One Hundred Twenty-Four Thousand, Two Hundred (\$124,200.00) Dollars and to an existing second priority mortgage in the name of Great Mortgage Company, Inc., with a principal balance not to exceed Fourteen Thousand, Eight Hundred Forty-Six (\$14,846.00) Dollars.

BE IT FURTHER RESOLVED that this Resolution is contingent upon the owner bearing all of the costs associated with this transaction.

Adopted:

\_\_\_\_\_  
President of Council

ATTEST:

\_\_\_\_\_  
City Clerk

**CITY OF VINELAND  
DEPARTMENT OF LAW  
RICHARD P. TONETTA, ESQUIRE  
Director and City Solicitor**

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January 7, 2014

TO : Council President Fanucci and Members of City Council  
FROM: Richard P. Tonetta, Esquire  
RE : Subordination – 43 S. Myrtle Street

Dear Council President Fanucci and Council Members:

The City has received a request to subordinate existing Community Development Mortgage to a new first mortgage on the above property.

The homeowner had received a HOAP loan from the City in the amount of \$2,500.00 on April 3, 2007, which was used towards the acquisition of the residence. This is a “0” interest “0” pay loan. At the time of purchase, the home had a value of \$159,900.00 and the purchaser had a first mortgage of \$127,600.00 and with a present payoff of approximately \$119,000.00 and a second mortgage of approximately \$14,800.00. The total monthly payment of principal and interest for the two loans is \$1,044.00.

Since this market adjustment, present value of the home is \$98,200.00. Clearly, the loan to value is negative. Under the Government sponsored HARP program, a homeowner may refinance to get a better interest rate and monthly payment even if the loan is greater than value.

The applicant wishes to refinance the first mortgage with a loan in the amount of \$124,200.00 which will pay-off the first mortgage plus closing costs. Therefore, the total mortgage amount to which we are requested to subordinate is \$124,200.00 plus \$14,800.00 on the second priority mortgage for a total of \$139,000.00. Presently, we are subordinate to \$133,800.00. As such, our position will be approximately \$5,000.00 more than presently.

In either event, there is no equity in the home and should the homeowner bankrupt, our chances of collection are nil. However, this will reflect a new monthly payment to the homeowner of \$833.63, a savings of approximately \$200.00 per month.

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As our position is such that in the event of a default, the City will not recoup its loan whether we permit the subordination or not, and the new transaction will help the homeowner meet his obligations, I would recommend the subordination.

**Very truly yours,**

**Richard P. Tonetta, Esq.  
Solicitor, City of Vineland**

RPT/sl

Cc: Carmen Oldknow, Community Development Program  
William Lutz, Business Administrator