

CITY OF VINELAND

RESOLUTION NO. 2017-192

RESOLUTION AUTHORIZING THE SUBORDINATION OF
MORTGAGE LIENS HELD BY THE CITY OF VINELAND
WITH RESPECT TO 400 SOUTH THIRD STREET,
VINELAND, NEW JERSEY

WHEREAS, the City of Vineland holds a mortgage lien against certain real estate located at 400 South Third Street, Vineland New Jersey, in connection with their participation the HOME residential rehabilitation program; and,

WHEREAS, the HOME Mortgage held by the City of Vineland is dated June 3, 2013 in the amount of \$17,941.50 which is a 0% interest, and is a non-forgivable loan with no monthly payments due; and

WHEREAS, the owner of the real estate located at 400 South Third Street, Vineland, New Jersey, has requested that the 2nd priority lien which is held by the City be subordinated to a new mortgage to be given to New Penn Financial, LLC or their assignees in connection with the refinancing of the mortgage on the property; and

WHEREAS, it is considered it to be in the best interest of the City that said 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 HOME residential rehabilitation program mortgage in the principal amount of \$17,941.50 dated June 3, 2013 to a mortgage given by the owner to New Penn Financial, LLC or their assignees in the principal amount of the mortgage not to exceed \$154,100.00, subject to the owner and all title holders of 400 South Third Street executing a Mortgage Modification providing that upon the divestiture of ownership by Angel Conde or upon his demise, the mortgage shall be payable in full; and

BE IT FURTHER RESOLVED that the owner shall bear any and all costs associated with the preparation of said documents.

Adopted:

President of Council

ATTEST:

City Clerk

From: Tonetta Richard
Sent: Tuesday, April 18, 2017 12:39 PM
To: Vargas Albert; Calakos Angela; Acosta David; Spinelli Paul; Franceschini Ronald J.
Cc: Petrosky Keith; Reid Wanda; Oldknow Carmen
Subject: Subordination of City Mortgage 400 south Third Street

Dear Council President Spinelli and members of City Council,

We have received the request to subordinate an existing mortgage held by the city of Vineland on the above property in the amount of \$17,941.50. This mortgage was given under the Residential Rehabilitation Program and recorded on November 1, 2013 the original mortgage or was Angel Conde and his wife Anna. The city holds a 2nd mortgage behind that of Santander Bank with a present pay off in the amount of \$147,758. It appears that Anna has passed away and the couple's daughter Natalie resides at the home with her father and contributes to the monthly expenses. Without Natalie, Angel would not be able to afford the home. It appears that Natalie wishes to be placed upon the deed with her father which would trigger a refinancing of the home since the original mortgage was with Angel and Anna.

In reviewing the criteria counsel utilizes in order to determine whether to agree to a subordination of new debt, it does not appear that many of the criteria will be met. The present home value is between 120,000 and \$132,000. Assuming the higher value, the home has a substantially less value than the existing mortgages. The owner wishes to refinance increasing the first mortgage from \$147,758-\$154,100. That would mean that the outstanding secured debt would be approximately \$172,000 on a home that is worth at best \$132,000. That is not to say that counsel in the past has not considered allowing a subordination where the existing debt was already in excess of the value of the home however typically we do not approve an increase. Further, counsel determines whether there is any benefit to the subordination. In this instance, the present first mortgage payment is \$1110 per month and the new mortgage will be \$1011 per month for savings of approximately \$100 per month. However the loan is being increased by approximately \$6500. That would mean it would take 65 months before the homeowner would realize a cost savings. The interest rate on the present mortgage is 5% with the new rate being 4.65%. There does not seem to be a substantial benefit to the homeowner although they will realize a \$100 per month savings. It also seems that there is approximately \$450 that will be paid out to the borrower at closing, however I assume that this will probably be spent on attorney's fees and therefore little if any payout will go to the borrower. Finally, as Natalie earns approximately \$50,000 per year, if she and her father were to apply for this loan day, they would be denied in as much as her salary exceeds the permitted amount.

While all of the criteria are set against approval of the subordination, if Natalie does not assist her father by way of becoming a partial owner of the property and be responsible for debt, the probability is that Angel will be displaced. If counsel approves the subordination it should be under the condition that Natalie execute a mortgage modification agreement whereby she would also be placed upon the mortgage held by the city of Vineland. I have placed the resolution on the agenda for this evening to discuss Council's preference. If counsel is disinclined to consider adoption of the resolution authorizing subordination of debt we can have the resolution pulled from the agenda. If you have any question please feel free to contact me.

Richard P. Tonetta, Esq.
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