

CITY OF VINELAND

RESOLUTION NO. 2017-287

RESOLUTION AUTHORIZING THE EXECUTION OF A
SUBORDINATION OF MORTGAGE LIENS HELD BY THE
CITY OF VINELAND WITH RESPECT TO PROPERTY
KNOWN AS 798 WEST WALNUT ROAD, VINELAND

WHEREAS, the City of Vineland holds a mortgage lien against certain real estate located at 798 West Walnut Road, 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 August 5, 2013 in the amount of \$29,387.00 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 798 West Walnut Road, 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 Embrace Home Loan Corporation 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 \$29,387.00 dated August 5, 2013 to a mortgage given by the owner to Embrace Home Loan Corporation or their assignees in the principal amount of the mortgage not to exceed \$117,419.00; 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

Reid Wanda

From: Tonetta Richard
Sent: Thursday, June 8, 2017 8:30 AM
To: Reid Wanda; Vargas Albert; Calakos Angela; Acosta David; Spinelli Paul; Franceschini Ronald J.
Cc: Oldknow Carmen; Fanucci Anthony R
Subject: Subordination 798 W. Walnut Ave
Attachments: Resolution Subordinating Debt 798 West Walnut Road.docxEmbrace.doc

Dear Council President Spinelli and members of City Council,

The owners of the above property have requested the city consider subordinating its debt in the amount of \$29,387.00 to a new mortgage given to Embrace Home Loan Corporation in the amount of \$117,419.00 This is the second request from this homeowner. The prior request and approval was given in March 2017 however, apparently the loan did not close.

Presently, the homeowner has an existing first mortgage with the balance in the amount of \$110,833 with interest accruing at the rate of 6% per annum. The monthly payment of principal and interest is \$730.24. The new mortgage will have a new principal and interest payment of \$612.62 and interest rate of 3.875%. This represents a savings of approximately \$118 per month.

The appraised value of the home is \$135,000 and debt against the property totals approximately \$140,000 which means that property value is less than the mortgages against the property including that of the city. If the city did not consider subordination of existing debt, the total debt would still be more than the value of the home. In essence, if the house is sold, the probability is that the city would not receive back the funds that it loaned on the home regardless of whether the council approves subordination.

As the city's position would not worsen by allowing the subordination of debt and considering the savings to the homeowner approximately \$118 by reducing the interest rate from 6% to 3.875% I can favorably recommend to counsel the consideration of the adoption of the attached resolution.

Richard P. Tonetta, Esq.
Director Dept. of Law and Solicitor
City of Vineland
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Vineland, New Jersey 08360