

CITY OF VINELAND

RESOLUTION NO. 2019-317

RESOLUTION AUTHORIZING THE EXECUTION OF A SUBORDINATION OF MORTGAGE LIENS HELD BY THE CITY OF VINELAND WITH RESPECT TO PROPERTY KNOWN AS 8 ELMWOOD AVENUE, VINELAND NEW JERSEY.

WHEREAS, the City of Vineland holds two mortgage liens against certain real estate located at 8 Elmwood Avenue, Vineland New Jersey, in connection with their participation in HOME Residential Rehabilitation Program in the amount of \$25,000.00 and their participation in the Affordable Housing Trust Fund in the amount of \$2,660.00 for a total lien of \$27,660.00; and

WHEREAS, the HOME mortgage held by the City of Vineland was recorded in the Cumberland County Clerk's Office on May 2016 which is a 0% interest, 0 pay mortgage and the Affordable Housing Trust mortgage was recorded in the Cumberland County Clerk's Office in October 2016 which is a 0\$ interest and 0 pay mortgage, representing the second and third priority mortgages on the property subject to a first priority mortgage held by Central Loan Administration with a principal balance of \$47,401.22 and payable at an interest rate of 6.625%; and

WHEREAS, the owner of the property wishes to refinance the first mortgage and pay off certain credit card debt totaling \$56,784.63 and requested the City consider subordinating its second and third priority mortgages to a new first mortgage to be held by Finance of America Mortgage, LLC in the principal amount of \$64,000.00 which will cover all closing costs as well; and

WHEREAS, the proposed new first mortgage will be a 30 year fixed mortgage with an interest rate of 3.5% per annum, which will reduce the applicant's monthly payment from \$818.00 to \$310.00 and will further eliminate her monthly credit card debt thus saving the applicant a substantial amount more; and

WHEREAS, the property has been appraised in June of 2019 which indicated that the present value of the property is \$135,000 which reflects a loan to value (LTV) ratio of 68%, well below Councils recommended LTV of 80%; and

WHEREAS, approval of the subordination will substantially financially assist the applicant without presenting any detriment to the City's financial position and the applicant would qualify for the loans should the application be made at this time; and

WHEREAS, it is considered it to be in the best interest of the City that said request be accommodated.

CITY OF VINELAND

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 HOIME Residential Rehabilitation Program mortgage in the principal amount of \$25,000.00 and a Affordable Housing Trust Fund mortgage in the amount of \$2,660.00 to a new first priority mortgage given by Finance of America Mortgage LLC in the principal amount of the mortgage not to exceed \$64,000.00 provided no money shall be paid to the owner of the property upon closing.

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

July 23, 2019

Dear Council President Spinelli and members of Council

We have recently received a request for subordination of existing City of Vineland debt on certain property known as 8 Elmwood Avenue, Vineland New Jersey. The City of Vineland through the HOME Program loaned the applicant \$25,000.00 on May 2016 which is a zero pay zero interest loan and secured by a second mortgage on the property. The second loan in the amount of \$2,660.00 was also given to the applicant under the Affordable Housing Trust and secured by a third mortgage on the property. The total City debt is \$ 27,660.00 and represents second and third liens on the home subject only to the first mortgage of Central Loan and Administration with a present payoff in the amount of \$47,187.00.

The applicant wishes to refinance her first mortgage as well as payoff several credit cards, which have interest rates in excess of 24%. The total credit card payoff is \$8,210.61 for total payoff of the first mortgage and credit cards including closing cost \$63,895.00. The applicant will be reducing her monthly payment from \$508 a month for the first mortgage plus all of the credit card payments to a total of \$287.39 per month. The new mortgage will carry with it a 3.5% interest rate for a period of 30 years. It is clear that the refinances in the best interest of the applicant.

Council has always considered the loan to value ratio before allowing a refinance which would place the City in second position behind a new first mortgagee in the amount of \$64,000.00. It appears that an appraisal was done on the home in June 25, 2019 and the appraised value of the home is \$135,000.00. The total debt including the \$27,660.00 owed to the City of Vineland is \$91,660.00. With the home value of \$135,000.00, this represent a loan to value ratio of 68%. In the past, Council's practice always has been to consider subordination favorably where loan to value ratio is 80% or less and therefore it meets the criteria for the Council to consider subordinating debt as the total debt is much less than the home value.

It is clear further that documentation received indicates that the applicant will not receive any money out from this loan and all money being borrowed will go to the payment of the first mortgage and the several credit cards for the total of \$63, 895.00. While this represents a difference of approximately \$105.00, I have been assured by the lending institution that based upon calculations at the time of closing the \$105.00 will most likely be utilized and no money will be paid out to the applicant.

Based upon the benefit to the applicant in reducing the monthly payment substantially and lack of detriment to the City of Vineland in terms of its loan to value ratio, I can recommend Council favorably consider the request for subordination.

I am submitting this document as well as the Resolution for placement of Councils agenda for July 23, 2019. I have been advised that if Council does not act accordingly within the next week the lock the applicant has on the interest rate will expire. For your edification this application had come to me much sooner however the application was tentatively rejected in as much as the first application showed a substantial amount of money being paid out to the applicant which is contrary to what Council's considerations have been in the past. It has not been until the end of last week that the applicant resubmitted documentation which would indicate that no money would be paid out to the applicant. I can also indicate that Mr. Heather has review the applicants income and the applicant would be qualified should the application be made today based upon todays standards. I have spoken with Council President Spinelli who has agreed to allow this to go on the agenda based upon the exceptional circumstances.

Richard P. Tonetta, Esq.