

MEMORANDUM

To: Mayor and City Council Members

Cc: Gregg Mandsager, City Administrator
Steven Boka, Director of Community Development

From: Jim Rudisill, Planning/CD Coordinator

Date: May 12, 2011

Re: **Housing Rehab Project Mortgage Subordination**

INTRODUCTION: A mortgage subordination request was filed with the city today by Ascentra Credit Union for 106 Taylor Street.

BACKGROUND: Raul and Patricia Madrigal participated in the City of Muscatine's 2006 Housing Fund Rehabilitation Program. The city provided \$24,999 as a five-year, forgivable loan to complete a variety of rehabilitative services on their property at 106 Taylor Street. As part of the program, they signed a mortgage agreement with the city that was recorded at the Muscatine County Recorder's office on August 1, 2007 at the Muscatine County Courthouse.

They now wish to refinance the property with Ascentra Credit Union to take advantage of lower interest rates.

RECOMMENDATION/RATIONALE: Under the terms of the initial contract between the City of Muscatine and the Iowa Department of Economic Development, the city may consider all Housing Fund mortgages to be secondary to any other property mortgage. Ascentra Credit Union is requesting the city provide a formal subordination agreement that will reflect this. The city has provided similar documents for several prior subordination requests.

Attached is a resolution for the council's consideration and the subordination agreement to be signed by the mayor. The staff recommends approval of the resolution and execution of the subordination agreement.

BACKUP INFORMATION:

1. **None**

RESOLUTION NO._____

**A RESOLUTION AUTHORIZING THE MAYOR TO SIGN A SUBORDINATION
AGREEMENT FOR 106 TAYLOR STREET**

WHEREAS, the City of Muscatine, Iowa has entered into a grant agreement with the Iowa Department of Economic Development (IDED) for owner-occupied housing rehabilitation in the Riverbend and 4th Street Park Neighbors neighborhood; and

WHEREAS, said grant agreement will fund up to \$24,999 for housing rehabilitation for each eligible residence through a five-year forgivable loan; and

WHEREAS, a five-year mortgage and lien were attached to each property that received funding assistance through this grant agreement; and,

WHEREAS, under the grant agreement approved between the City of Muscatine and the Iowa Department of Economic Development the city may consider such five-year mortgages to be secondary and subservient to any other mortgages attached to any rehabilitated properties; and,

WHEREAS, a rehabilitation project has been completed at 106 Taylor Street that resulted in a five-year mortgage being attached to said property; and,

WHEREAS, the owners of the property at 106 Taylor now wish to refinance a prior existing mortgage on their property,

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MUSCATINE that the Mayor of The City of Muscatine be authorized to sign an agreement, subordinating the city's five-year Housing Fund mortgage for 106 Taylor Street to a mortgage from Ascentra Credit Union.

PASSED, APPROVED, AND ADOPTED this 9th day of May 2011.

**BY THE CITY COUNCIL OF THE
CITY OF MUSCATINE, IOWA**

ATTEST:

Richard W. O'Brien, Mayor

Gregg Mandsager, City Clerk

SUBORDINATION AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, Raul & Patricia Madrigal wish to execute a mortgage on the following described premises:

S 56' OF LOT 1 OF SCHARFF'S SUBDIVISION

In Muscatine County, Iowa, to Ascentra Credit Union; and

WHEREAS, the said mortgagors have executed a Forgivable Loan in favor of the City of Muscatine, Iowa (hereinafter referred to as COMMUNITY), which is recorded as Instrument No. 2007-05068, and dated July 10, 2007, in the records of Muscatine County, Iowa, and the COMMUNITY is the present lien holder thereof; and

WHEREAS, the COMMUNITY recognizes said mortgage to Ascentra Credit Union is a first and prior lien upon said premises, not to exceed \$ 80,000.00 nor be increased without prior written consent of the COMMUNITY;

NOW, THEREFORE, in order to induce Ascentra Credit Union to rely upon this agreement and make a loan to the Mortgagor, and other good and valuable consideration, the receipt of which is hereby acknowledged, the COMMUNITY acknowledges the priority of said mortgage to Ascentra Credit Union and specifically subordinates the COMMUNITY forgivable loan to said mortgage to Ascentra Credit Union.

The COMMUNITY, by the execution of this Subordination Agreement, does not release the lien of its Forgivable Loan in any particular, but only subordinates and makes junior such lien to the mortgage of Ascentra Credit Union and all correction hereinafter.

Witness the hand and seal of the undersigned this 19th day of May 2011.

City of Muscatine

By: _____
Richard W. O'Brien, Mayor

STATE OF IOWA
COUNTY OF Muscatine

On this 19th day of May 2011, before me, a Notary Public, appeared Richard W. O'Brien, who being duly sworn, did say that he is the chief elected official of the CITY OF MUSCATINE, IOWA, and that the foregoing instrument was signed by him on behalf of the COMMUNITY as the free act and deed of said COMMUNITY.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed by official seal, the date and year last above written.

_____, Notary Public
My commission expires: