



## **Subordination Policy**

**The terms of this policy are subject to change at the discretion of NeighborWorks® Sacramento.**

**I. Subordination Policy-1**

**II. Forgivable Loan Subordination Policy-2**

**III. Amortized & Deferred Loan Subordination Policy-3**

**IV. Insurance Policy Requirements-3**

**V. Special Circumstances-3**

**VI. Subordination Request Limits-3**

**VII. Investment Properties-3**

**VIII. Subordination Request Instructions-3**

**IX. Grievances and Appeal/Re-Submission of Request-4**

**Attachment 1: Owner Occupancy Verification-5**

**Attachment 2: Subordination Request Attestation Affidavit-6**

### **I. Subordination Policy**

NeighborWorks® HomeOwnership Center Sacramento Region (NeighborWorks Sacramento) will subordinate loans held in its portfolio only when:

1. The subordination request is submitted in writing with a completed document package
2. The subordination request fee has been paid
3. The terms of our policies below have been satisfied

Unless special circumstances exist, all subordination requests will be processed within 10 business days of receiving the full application, document package and payment.

## II. Forgivable Loan Subordination Policy

Subordination Requests for forgivable loans will be evaluated according to the NeighborhoodLIFT® Down Payment Assistance Loan Program Manual. See excerpt below:

### **Subordination**

LIFT will subordinate to a new first mortgage only if:

- Rate & term refinance with lower interest rate and/or payment
- Death or Divorce of one of the borrowers on the loan
- Cash back in connection with rate and term refinance transactions (no cash out) is only allowed per sponsoring agency or lender guidelines as follows:
  - If the new first mortgage loan is a Fannie Mae, Freddie Mac or lender portfolio program, the loan is subject to the lesser of a maximum 2% of the new refinance loan amount or \$2000 cash back to the borrower(s)
  - If the new first mortgage is an FHA or VA transaction, the loan is subject to a maximum \$500 cash back to the borrower(s)
  - If the new first mortgage is a USDA transaction, cash back to the borrower(s) is not allowed
- **NOTE:** State or local rules pertaining to cash back allowances may be more restrictive than agency or lender guidelines. In those instances, state or local requirements take precedence over these allowances.
- LIFT loans can subordinate to additional financing that is not part of a refinance transaction for eligible purposes. The LIFT lender must have prior approval from NeighborWorks America. Notification of the subordination to the first mortgage lender is required.

## III. Amortized & Deferred Loan Subordination Policy:

Subordination requests for CalHome loans will be evaluated according to this policy:

NeighborWorks® Sacramento will subordinate a CalHome loan to a new first mortgage only if:

1. A lower interest rate and/or monthly payment is achieved
2. Up-front closing costs are recaptured within 24 months according to our net tangible savings test. This savings does not include:
  - a. pre-payment and/or deferral of monthly payments
  - b. reimbursement of funds in an existing impound account or lender credits.

3. The loan terms do not include cash out, except for:
  - a. The first mortgage is owned by Fannie Mae or Freddie Mac and the maximum cash back is the lesser of 2% of the new refinance loan or \$2,000
  - b. The first mortgage is a VA or FHA transaction, and the maximum cash back is \$500
4. The property remains owner occupied

#### **IV. Insurance Policy Requirements**

NeighborWorks Sacramento must remain as a names loss payee on any insurance policies.

#### **V. Special Circumstances**

Special circumstances include, but are not limited to, code violations that require remediation, additional re-building costs post a flood, fire or natural disaster, or removal. Requests with special circumstances may require additional documentation and extend the 10-business day processing time.

#### **VI. Subordination Request Limits**

NeighborWorks® Sacramento Loan allows a borrower to submit a request for a subordination 3 times over the life of the loan.

#### **VII. Investment Properties**

If a property is determined to be occupied by persons not listed on the Note, the loan will be called due. NeighborWorks® Sacramento will defer to the Note for the length of time allowed for repayment.

#### **VIII. Subordination Request Instructions**

The following information, documentation, and procedures apply for NeighborWorks® Sacramento to consider your subordination request:

1. The client's account with NeighborWorks® Sacramento must be current and have a satisfactory payment history.
2. The lender requesting the Subordination must include:
  - Subordination Request Attestation Affidavit
  - Copy 1003 Uniform Residential Loan Application
  - Copy of 1008 Uniform Underwriting & Transmittal Summary
  - Copy of Loan Estimate or Closing Disclosure if available
  - Copy of Estimated Settlement Statement from the Settlement Agent
  - Copy of a Current Mortgage Statement
  - Copy of Current Appraisal or Copy of Desktop Appraisal if Full Appraisal is Waived
  - Copy of Title Report
  - Current Payoff Demand

- Occupancy Verification
- Proof of current residence (Most recent utility bill)
- Subordination Review Fee \$400 (\$150 is refundable if denied)

**Note: All documents and fee must be submitted before we begin processing the request. Any missing document will delay this process.**

3. The request for Subordination should clearly indicate the correct name and contact information of the lender providing the financing. Requests for Subordination policy and packet should be sent via email to [subordination@nwsac.org](mailto:subordination@nwsac.org). Completed packet and payment need to be mailed to:  
NeighborWorks® Sacramento  
Attn: Cecelia Geter  
2411 Alhambra Blvd. Ste. 200  
Sacramento, CA 95817
4. There is a \$250.00 subordination fee, per loan, payable to NeighborWorks® Sacramento accompanying your request, for the examination and review of the Request for Subordination and notary of subordination agreement. This fee is non-refundable. There is an additional fee of \$150 for the subordination agreement. This can be paid up-front to expedite the process and will be refunded if the subordination request is denied.
5. NeighborWorks® Sacramento may not agree to subordinate if the borrower is taking cash out or using existing equity to pay unsecured, revolving or installment debts.
6. If approved, NeighborWorks® Sacramento will notarize a Subordination Agreement. Please provide the location to which the Subordination Agreement is to be sent. If the document will not be picked up by local courier, please provide a prepaid FedEx shipping label with your request. NeighborWorks® Sacramento will not pay for costs related to the pickup or shipping of the Subordination Agreement document.

#### **IX. Grievances and Appeal/Re-Submission of Request**

Denied subordination requests may be appealed within 30 days of the denial date. Appeals made after 30 days will be treated as a new request and will be subject to the standard request fee.

# Owner Occupancy Verification

As a condition of your subordination request, NeighborWorks® HomeOwnership Center Sacramento Region requires proof of owner occupancy.

Please complete this form to verify your occupancy of the property. Please enclose a copy of your current utility bill (SMUD or PG&E) as proof of residence.

Loan No: \_\_\_\_\_

Property Address: \_\_\_\_\_

I, \_\_\_\_\_ do hereby certify that I own and occupy as my principal residence the home located at

\_\_\_\_\_  
**Enclosed is a copy of my utility bill as proof of residence.**

Print name: \_\_\_\_\_

Sign: \_\_\_\_\_

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

## Subordination Request Attestation Affidavit

Borrower(s) Name: \_\_\_\_\_

Property Address: \_\_\_\_\_

Our borrower (s) \_\_\_\_\_ is/are completing a refinance with (lender's name) \_\_\_\_\_. This is a rate and term refinance to lower the interest rate on her/his/their current mortgage from \_\_\_\_\_% to \_\_\_\_\_%, which will reduce his/her/their monthly payment from \$ \_\_\_\_\_ to \$ \_\_\_\_\_.

I certify that there is no cash out to the borrower or any debt consolidation with this refinance. This is only a rate/term refinance.

\_\_\_\_\_  
Loan Officer Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name

\_\_\_\_\_  
Borrower Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name

For Internal Use Only:

Borrower Loan #: \_\_\_\_\_