

CITY OF VINELAND

RESOLUTION NO. 2017-75

RESOLUTION AUTHORIZING THE SUBORDINATION OF
MORTGAGE LIENS HELD BY THE CITY OF VINELAND
WITH RESPECT TO PROPERTY LOCATED AT 1148
MAPLE AVENUE, VINELAND, NEW JERSEY

WHEREAS, the City of Vineland holds a mortgage lien against certain real estate located at 1148 Maple Avenue, 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 11, 2015 in the amount of \$3,075.00 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 1148 Maple Avenue, 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 International Capital Group, Jericho, New York 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 \$3,075.00 dated August 11, 2015 to a mortgage given by the owner to International Capital Group or their assignees in the principal amount of the mortgage not to exceed \$180,758.00; 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

**DEPARTMENT OF LAW
RICHARD P. TONETTA, ESQUIRE
Director and City Solicitor
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(856) 405-4632 (Fax)**

February 7, 2017

To: Council President Spinelli and Members of City Council

Re: Subordination Request 1148 Maple Ave.

Dear Council President Spinelli and Members of City Council,

The owner of the above referenced property as requested the City of Vineland consider subordinating their existing HOME rehabilitation loan in the amount of \$3075.00 to a new loan which the homeowner wishes to obtain to refinance the existing 1st mortgage.

Briefly, the homeowner has an existing 1st mortgage on the above real estate with a balance due of \$177,848.00. The monthly payment of principal, interest and mortgage insurance premiums as well as taxes and homeowners insurance totals \$1525.34 with an interest rate of 4.75 percent. The City of Vineland has a 2nd mortgage on the property in the amount of \$3075.00, which was given to rehab the home owned by a qualified low/mod income household. The 2nd mortgage is a 0 interest non-forgivable debt which does not require any monthly payment. The debt will be paid off upon the sale of the home by the homeowner or otherwise. The homeowner wishes to pay off the 1st mortgage with a new mortgage in the amount of \$180,758. The new mortgage will carry an interest rate of 4.5 percent and a monthly payment of \$1482.71 for savings of approximately \$42.63 per month.

There are several factors that Council considers in permitting a subordination of debt. The first is whether the homeowner is receiving any funds in excess of the payoff of the 1st mortgage and closing costs. In this instance the homeowner will not be receiving any payout, the increase will cover closing costs. The second criterion Council considers is whether the subordination will put the city in a worse or better condition. In this instance, because of the type of loan obtained by

the homeowner, no appraisal is required. The City of Vineland has the property assessed at approximately \$127,000.00. Whether we consider subordinating to a new debt of \$180,758, or refuse to allow a subordination to exist, thus, having a 1st mortgage in the amount of \$177,848, in either of those events, the property value is worth substantially less than the mortgage. If the home is sold tomorrow, we will not recoup the amount of the loan that we have outstanding on this property, and further, if we approve the refinance, and thereafter the house is sold, the city will still not recoup the money it has loaned on this property. As such, we are no better shape or worse shape. The 3rd criterion Council considers is whether there is a benefit to the homeowner. In this instance the homeowner will realize approximately \$42.63 additional spending funds per month, so in essence there would be a benefit, although small to the homeowner.

Based upon the above I cannot recommend one way or the other whether Council approves the subordination request. I can indicate to you that I met personally with the homeowner who is indicated he is having a substantial difficulty in dealing with his existing mortgage company which is the reason for his request.

Very truly yours,

Richard P. Tonetta, Esq.
Solicitor City of Vineland