

# CITY OF PEABODY

## DEPARTMENT OF COMMUNITY DEVELOPMENT AND PLANNING

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# SUBORDINATION POLICY NOTIFICATION

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**GENERAL:** The primary purpose of both the First Time Homebuyer Down Payment Assistance Program and the Housing Rehabilitation Program is to assist income eligible households in the purchase of their first home and/or rehabilitation of their home in the City of Peabody. The City of Peabody allows program participants to subordinate City of Peabody Liens to other mortgages when the primary purpose can still be met.

**REQUIRED CONDITIONS:** The City of Peabody will approve those subordination requests that:

- ✓ Do not endanger the City's equity position.
- ✓ New mortgage/loan is not an open ended home equity line of credit.
- ✓ Provide funds for further home improvements to the borrower's property.
- ✓ Facilitate the refinancing of an existing first mortgage balance at a lower rate of interest.

**HOMEOWNER RESPONSIBILITIES:** The homeowner must provide the following information to the Housing Program Manager when requesting a subordination:

- ✓ The position of the City of Peabody's mortgage before and after refinancing.
- ✓ The amount of the additional mortgage.
- ✓ The appraised value of the property.

**PROCEDURES:** Requests for subordinations must be made in writing no less than two weeks prior to the need for such subordination and must contain the following information:

- ✓ Name and address of the Bank.
- ✓ Amount of money being placed in a superior mortgage.
- ✓ Copy of 1003 Form.
- ✓ Copy of the Appraisal.
- ✓ Purpose of the refinancing that necessitates the subordination.
- ✓ If applicable, estimates of the improvements to be made to the borrower's property.

**DENIAL:** Requests for subordination for **any** reason other than those stated above, particularly cash out refinancing, will not be allowed. Applicants will be notified if a request is denied and the reason shall be noted and placed in the case file.

**LOAN TERMINATION:** The original loan will be terminated and due in full, if a homeowner proceeds with the refinancing, after a request for subordination has been denied.