Guidelines for Subordination – REFI + CITY LOANS

At any time following home purchase, Purchase Assistance Loan (PAL) borrowers may request that the city subordinate to a refinanced senior mortgage(s). If the borrower chooses to refinance, he/she must either pay off the PAL or meet PAL Program requirements for subordination to a new senior mortgage(s).

Requirements
Per the PAL Program Guidelines, the city's PAL will subordinate to a refinanced senior mortgage(s) if the borrower meets all of the following conditions / requirements:

- The refinancing of the existing senior mortgage(s) is for the purpose of reducing monthly housing expenses
- The refinancing is for no more than the amount of the balance of the senior mortgage(s) plus the cost of refinancing
- No cash will be taken out of the refinance
- There is sufficient equity in the property so the total loans-to-value is at the same amount after the refinance as it was when the property was purchased

Hello Housing will provide the lender a letter stating the Below Market Rate (BMR) restricted value of your home and any other documentation requested. Sample subordination and program documents are available for lenders upon request to help determine if the first loan can work in conjunction with the City of Menlo Park's BMR program.

Documentation
Lenders will be required to submit the following documentation to Hello Housing as part of the subordination eligibility screening:

- 1003 completed loan application
- 1008 or other loan underwriting form indicating amounts and terms of all financing
- A preliminary title report
- Property Appraisal Report (if not a City of Menlo Park Below Market Rate home) - if the property is a BMR home, the city will provide the appraised value of the home per the BMR Deed Restrictions and BMR Program Guidelines
- Loan Estimate and Closing Disclosure

Subordination package submittals can be sent via email or mailed to:
Hello Stewardship - City of Menlo Park Refinance
1242 Market St., 3rd Floor
San Francisco, CA 94102

Fee
A $400 fee will be charged to the homeowner and due to the City of Menlo Park upon closing in order to cover a portion of the costs associated with eligibility screening and preparation of subordination documents.