

Mayor's Office of Housing and Community Development
City and County of San Francisco

MOHCD SUBORDINATION REQUEST PACKAGE

SUBORDINATION REQUIREMENTS

Please read the Subordination Requirements in their entirety as the requirements may change from time to time. Complete and accurate packages will ensure timely turnaround. Packages are considered complete when ALL require documentation has been received.

The approval criteria may vary based on program requirements and restrictions. Review the attached Subordination Policy Statement for the general guidelines. Review the attached Subordination Request Checklist for the required documents. The Mayor's Office of Housing and Community Development (MOHCD) may request additional information before making a decision. MOHCD reserves the right to deny a subordination request.

Notes:

1. The subordination application package must be submitted ELECTRONICALLY through the Database of Affordable Housing Listings, Information, and Applications (DAHLIA) system.
2. The Admin Fee is non-refundable. We accept only cashier or escrow checks. The Admin Fee checks should be addressed to: "City and County of San Francisco." The fee must be delivered to our office within 48 hours of the subordination submittal. The current fee can be found on our website at <https://sfmohcd.org/program-service-fees>.
3. If a package is received incomplete, the file is suspended, and the requestor is notified. The requestor is given 48 hours to comply before the file is subject to cancellation.
4. MOHCD processes all requests in the order in which they are received. Requests will NOT be rushed.
5. No changes shall be allowed after a Subordination Agreement has been issued to the refinance lender or Title Company unless requested within the first ninety (90) days of the issuance of Subordination Agreement. After 90 days, a new subordination package and fee will be required for any change. Additionally, if the borrower is switching from one lender to another participating lender after the subordination approval, a new subordination package and fee will be required.
6. The lender is required to determine that there is a net tangible benefit on all applicable rate and term refinance transactions by completing the Net Tangible Benefit Worksheet (enclosed). Net tangible benefit is defined as either: a) A reduction of at least 5% in the mortgage payment and recapture of closing costs within 48 months; or b) A reduction in the term of the mortgage provided the payment increase is no more than 15%.
7. No cash out transactions: a) Cash back proceeds. All refinance proceeds must be applied as a principal-reduction payment to the new 1st mortgage; and b) Buy-down/impound balances. If the payoff of the 1st mortgage has a remaining interest rate buy-down balance or impound balances current in escrow, those monies must be applied to the payoff balance at close of escrow and may not be refunded to the Borrower.

8. Refinancing within 12 months after purchase may be approved only on a case by case basis.
9. Repayment of the City's cash loans (e.g. BMR DALP, DALP, FRDALP, TND, PIC, MALP and Rehab) may be required on a refinance with an increase of monthly mortgage payment if: a) the current appraised value (or resale value) of the subject property is sufficient to support a combined 1st and City cash loan, and b) the borrower can obtain an affordable loan from a lender supporting the amount.
10. **BMR Downpayment Assistance Loan Borrowers:** Repayment of the BMR downpayment assistance loans, such as BMR DALP, BEGIN, DAP, ADDI DALP, etc., may be required on a refinance, if borrower meets one of the following criteria:
 - a) Borrower has sufficient liquid funds equal to the total balance (principal and interest/share of appreciation) of the BMR DALP Loan plus three (3) months of housing payments (principal, interest, property taxes, hazard insurance and homeowner's association dues) in reserves; or
 - b) Borrower's new monthly mortgage payment will be increased by more than fifteen (15) percent; or
 - c) Borrower's new front-end debt-to-income is lower than 28%; or
 - d) The term of the new first mortgage is shorter than the period of time remaining on the BMR DALP loan. The BMR DALP loan must be paid off concurrently or prior to the first mortgage is paid off.

All BMR DALP borrowers are required to execute the "Available Funds and Income Affidavit" form (enclosed). MOHCD, at its sole discretion, may require borrower's full income and assets documentation for verification purposes. Please refer to the BMR DALP Program Manual for more detailed information and requirements.

11. **MCC Holders:** If the borrower is an existing holder of Mortgage Credit Certificate (MCC), they must get a Reissue Mortgage Credit Certificate (RMCC) to replace their original MCC. The RMCC application must be submitted by the borrower's first mortgage lender within 1 year from the closing of their new first mortgage loan. For more information about RMCC can be found on our website at <https://sfmohcd.org/reissue-mortgage-credit-certificate>.
12. **Appraisal:** For refinances on a BMR home, MOHCD may, in its sole discretion, waive the appraisal report requirement if the refinance qualifies for an appraisal waiver granted from the Automatic Underwriting Systems (AUS). In such case, the lender may provide the AUS findings in lieu of the appraisal report.

Please submit the completed subordination package: ELECTRONICALLY through the Database of Affordable Housing Listings, Information, and Applications (DAHLIA) System.

Please submit the Admin Fee by mail to: Mayor's Office of Housing and Community Development, 1 South Van Ness Ave., 5th Floor, San Francisco, CA 94103. Attention: Subordination Unit

Mayor's Office of Housing and Community Development
City and County of San Francisco

SUBORDINATION POLICY STATEMENT

Subordination of City Loans and Liens in Mayor's Office of Housing and Community Development (MOHCD) and former San Francisco Redevelopment Agency (SFRA) Homeownership Programs

MOHCD only accepts subordination requests from Approved Lenders

The purpose of the City Loans and Liens are to assist in increasing first-time homeownership affordability for low and moderate-income buyers. Further, it is the goal of the Mayor's Office of Housing and Community Development to continue the availability of these subsidies through re-use where possible.

MOHCD will consider subordinating City Loans and Liens if the following conditions are met:

- 1) The subordination satisfies the purposes of the City Programs outlined above.
- 2) The City's security interest in the property is not adversely affected.
- 3) Borrowers **MUST** work with one of our "**approved lending officers**" when they refinance. This applies to funding lenders as well when borrowers are working with a mortgage broker.
- 4) The City loan(s) can be subordinated to the refinancing of the existing first mortgage for a lower interest rate and/or better loan term as long as the refinancing falls within loan program limits.
- 5) The City does not allow cash equity withdrawals from the property with City cash loan program(s). Requests for cash equity withdrawals from the property with City cash loan(s) will most likely be denied and may require full repayment of the cash loan(s) prior to or at the time of refinance loan settlement.
- 6) The City will not consider moving the MOHCD/SFRA lien to a lower loan position in a refinance.
- 7) The first mortgage loan must be a fixed rate mortgage, and the payment must be fully amortizing.
- 8) Loan-To-Value (LTV) does not exceed 95%, unless due to a value decline below original purchase price.

Should subordination be agreed to, the following additional requirements must be met:

- 1) The borrower must submit evidence that he/she meets standard loan underwriting and credit standards.
- 2) All delinquent taxes and liens must be cleared as part of the refinance loan settlement.
- 3) If the borrower is refinancing existing indebtedness, the amount to which the City is subordinating shall not exceed the greater of (a) the original principal amount of the first mortgage, or (b) the current outstanding balance of the first mortgage and customary closing costs up to 3% of the new first mortgage amount.
- 4) Repayment of the City's cash loans may be required on a refinance with an increase of monthly mortgage payment if a) the current appraised value (or resale value) of the subject property is sufficient to support a combined 1st and the City cash loan, and b) the borrower can obtain an affordable loan from a lender supporting the amount.

These policies may change subject to the City's sole discretion. Additional restrictions may be required for individual homeownership programs. MOHCD reserves the right to deny a subordination request that does not represent the best interest of the City and the Borrower AND satisfy the purposes of the City programs.

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A checklist MUST accompany each subordination package. We only accept subordination requests from participating lending officers or agents. For a complete list, please go to: <https://sfmohcd.org/lender-list>

BORROWER				
Borrower1 Name:		Address:		
Borrower2 Name:		Email:	Phone #:	
ESCROW				
Escrow Officer:		Escrow #:		
Phone #:		Email:		
LENDER				
Loan Officer:		Email:	Phone #:	
Which program(s) are you requesting a subordination for? <input type="checkbox"/> BMR <input type="checkbox"/> DALP <input type="checkbox"/> BMR-DALP <input type="checkbox"/> FRDALP <input type="checkbox"/> City2nd <input type="checkbox"/> SFRA <input type="checkbox"/> TND <input type="checkbox"/> PIC <input type="checkbox"/> CalHome <input type="checkbox"/> CHR <input type="checkbox"/> Rehab <input type="checkbox"/> Lead <input type="checkbox"/> Condo Conversion Released <input type="checkbox"/> MALP/HELP				
REQUIRED DOCUMENTS				
Are you an approved Participating Lending Officer for the program(s) above?				<input type="checkbox"/>
Administrative Fee (escrow/cashier check, see website for the current fee)				<input type="checkbox"/>
Subordination Request to MOHCD from Owner (see enclosed request letter)				<input type="checkbox"/>
Net Tangible Benefit Worksheet to be completed by Participating Lending Officer (required on r/t refi)				<input type="checkbox"/>
Copy of Recorded MOHCD and/or SFRA Deed of Trust				<input type="checkbox"/>
Preliminary Title Report (within 90 days)				<input type="checkbox"/>
Mortgage Loan Commitment Letter/Approval Letter				<input type="checkbox"/>
Current Mortgage Statement of Existing First Mortgage				<input type="checkbox"/>
Existing 1 st Mortgage Payoff: Include: <input type="checkbox"/> Current Interest Rate: % <input type="checkbox"/> Current Loan Term:				<input type="checkbox"/>
Current Appraisal Report (within 90 days)				<input type="checkbox"/>
Loan Estimate or Closing Disclosure (signed and dated)				<input type="checkbox"/>
Completed and Signed Form 1003 (Loan Originator MUST be a participating loan officer)				<input type="checkbox"/>
Copy of most recent Federal Income Tax Return with all schedules (signed and dated)				<input type="checkbox"/>
Completed Transmittal Summary Form 1008				<input type="checkbox"/>
BMR DALP Subordination – full income and assets documents may be required at MOHCD's request				<input type="checkbox"/>
EDALP/TND Borrowers: Most recent paystub from employer.				<input type="checkbox"/>
MCC Holder: Is the Borrower an Existing Mortgage Credit Certificate (MCC) holder? <input type="checkbox"/> Yes <input type="checkbox"/> No				<input type="checkbox"/>
Optional: FedEx / UPS Return Label and Envelope				<input type="checkbox"/>

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SUBORDINATION REQUEST TO MOHCD

Date _____

Attention: Loan Servicing
Mayor's Office of Housing and Community Development (MOHCD)
1 South Van Ness Ave., 5th Floor
San Francisco, CA 94103

Homeowner Name(s): _____
Address: _____

To the Mayor's Office of Housing and Community Development,

I/We are working to refinance our current first mortgage loan. I/We are pursuing this refinance because: (please explain why you are wishing to refinance at this point and time)

- Rate Reduction
- Decreased Monthly Mortgage Payment
- Refi Amount is less than existing loan
- Loan Term Reduced
- Cash-out Amount
- Other:

I/We are working the following lender to refinance our loan and grant this person permission to release and exchange information with MOHCD regarding this transaction.

Name of Lender	Bank Name	Email Address	Phone #

Additionally, below is a list of all household members on title and/or on the loan as well as their contact information should you have any questions.

Name	On Title? (Y/N)	On Loan? (Y/N)	Email Address	Cell Number

Homeowners Signature(s)

(If more than one homeowner – all members on title and loan must sign.)

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NET TANGIBLE BENEFIT WORKSHEET

The following worksheet is used to determine if the borrower's net tangible benefit meets the Mayor's Office of Housing and Community Development (MOHCD)'s subordination requirements on all applicable **rate and term** refinance transactions, and must be completed by the participating lending officer providing the loan.

Borrower(s) Name: _____

Property Address: _____

Reduction in Rate (no change on term)

Provided that the term of the loan is the same on the new loan as the existing loan, MOHCD requires that the new loan provides savings in the combined mortgage payment (principal, interest and mortgage insurance premium if applicable) of at least five (5) percent. Additionally, borrower must recoup the costs of new loan within forty-eight (48) months. If the new loan does not meet this minimum savings **and** cost recapture requirements, MOHCD will not approve the subordination request.

1. Mortgage Payment Savings (must save minimum 5%)

Fill out the table below with information from the existing and the proposed new loan.

	Existing Loan	New Loan
Term of Loan (years remaining)	Years	Years
Interest Rate	%	%
Principal and Interest (P&I)	\$	\$
Mortgage Insurance Premium (MIP)	\$	\$
Total (P&I plus MIP)	\$	\$

$$\frac{\$ \text{New Total}}{\$ \text{Existing Total}} = \boxed{\text{ \% }}$$

The new payment divided by the existing payment **must be** < 95% or .95 on rate-reduction refinance loans.

2. Recapture calculation (must recoup within 48 months)

\$ _____

Cost of New Loan

All borrower-paid charges, including items paid outside of closing and all prepayment penalties incurred on the loan to be refinanced (if applicable), except prepaid and escrow account deposits for taxes and insurance.

÷ \$ _____

Monthly decrease in total mortgage payment

Existing total mortgage payment (P&I plus MIP) minus new total mortgage payment (P&I plus MIP) from 1 – Mortgage Payment Savings.

= _____

Number of months to recapture closing costs

Divide cost of new loan by monthly decrease in total mortgage payment. Number of months must be **≤ 48** months.

Reduction in Term

Fill out the table below with information from the existing and the proposed new loan.

	Existing Loan	New Loan
Term of Loan (years remaining)	Years	Years
Interest Rate	%	%
Principal and Interest (P&I)	\$	\$
Mortgage Insurance Premium (MIP)	\$	\$
Total (P&I plus MIP)	\$	\$

$$\frac{\$ \text{New Total}}{\$ \text{Existing Total}} = \boxed{\text{\%}}$$

The new payment divided by the existing payment **must be** < 115% or 1.15 on term-reduction refinance loans.

The net tangible benefit is met if the new loan meets ALL of the following conditions:

- The loan term is reduced;
- The new interest rate does not exceed the current interest rate; and
- Mortgage payment increase no more than fifteen (15) percent

Note: this worksheet is not required if the new transaction:

- Replaces the existing ARM, interest-only, negative amortized, balloon payment, or reverse mortgage with a fixed-rate and fully-amortized loan; or
- Obtains cash proceeds if allowed by certain programs and under special circumstance (on limited case-by-case scenarios)

Certification

- I understand that the purpose of the City loans and liens are to assist in increasing first-time homeownership affordability for low and moderate-income buyers. I further understand that it is the goal of the Mayor's Office of Housing and Community Development (MOHCD) to continue the availability of these subsidies through re-use where possible.
- Based on the loan information and benefits previously indicated, I certify that the proposed loan would result in a tangible benefit to the borrower(s) considering all of the circumstances reflected in the loan file, terms of the both the new and refinanced loan, the cost of the new loan, and the borrower's specific situation.

Originator Signature

Date

**MAYOR'S OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT
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Available Funds and Income Affidavit
(This form applies to the BMR DALP borrowers)

(I/We) _____, as current borrower(s) of a Below Market Rate Downpayment Assistance Loan Program (BMR DALP) in the original principal amount totaling \$_____, pursuant to the San Francisco Mayor's Office of Housing and Community Development (MOHCD), have applied for a new First Mortgage Home Loan, do hereby represent and warrant that (I/we) have insufficient funds to pay off the MOHCD BMR DALP Loan as of the closing date of the new First Mortgage Home Loan. At time of this signing, (I/we) do not have funds equal to the total balance (principal and interest/share of appreciation) of the MOHCD BMR DALP Loan plus three (3) months of housing payments (principal, interest, property taxes, hazard insurance and homeowner's association dues) in reserves.

(I/We) further certify that my (our) household total annual gross (grand total before taxes and any deductions are taken out) income for 20___ (insert current year) from all sources for every person in my (our) household is \$_____.

(I/We) declare under penalty of perjury that the foregoing is true and correct.

Signature of Borrower

Date

Signature of Borrower

Date

Signature of Borrower

Date