

Section 12

Loan & Grant Portfolio Management



City of Modesto
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*These policies supersede any previously adopted policies and are subject to review and revision by the City or Modesto Housing Programs Loan Committee.



Loan and Grant Portfolio Management Policy

1. **Subordinations**

- 1.1. The City of Modesto may approve a request to subordinate a City of Modesto loan under any of the City's housing programs, allowing the Borrower to refinance the property, under the following conditions (other conditions may apply based on funding source(s):
 - 1.1.1. The Combined Loan-to-Value Ratio shall not exceed 105% of the appraised value.
 - 1.1.2. The City of Modesto's lien position will remain the same or be advanced (the City of Modesto will not give up a first lien position, when the City has provided 100% financing).
 - 1.1.3. The new primary loan is not greater than the balance of the loan being refinanced, except the costs of refinancing the loan may be added to the principal balance.
 - 1.1.4. The purpose of the new primary loan is to reduce the interest rate being paid and/or reduce the owner's payments.
 - 1.1.5. If the purpose of the new loan is to reduce the loan term, (i.e. from a 30 year loan to a 15 year loan), the Borrower's Debt to Income ratios may not exceed the program limits.
 - 1.1.6. No cash out from equity.
 - 1.1.7. The refinanced loan must have an impound account for taxes and insurances.
 - 1.1.8. The refinancing terms must be acceptable to the City of Modesto.