

CITY OF TUSTIN – TUSTIN HOUSING AUTHORITY TERMS FOR REFINANCING OF FIRST MORTGAGE

Participants in the City's Affordable Housing Programs are allowed to refinance their first mortgage as long as the following requirements are met:

- **There is a \$280 Subordination Agreement Processing Fee DUE with the preliminary packet, payable to the "City of Tustin". The City will not deposit the check until the Subordination Agreement is approved. If the homeowner's refinance is not successful, the City will return the check.**
- It must be a fixed rate mortgage with no negative amortization.
- The new loan amount cannot exceed the current principal payoff amount plus closing costs.
- Housing costs (principal, interest, insurance, mortgage insurance, taxes, HOA, and applicable utility allowance) cannot exceed affordable housing guidelines (if new payment exceeds that of original payment):
 - 30% of gross income for those in the very-low and low-income categories *
 - 35% of gross income for those in the moderate-income category *
 - * *above ratios do not apply if new payment is less than original payment.*
- For preliminary approval, the lender must provide the City with the following:
 - Documentation of the borrower's current income (if new payment exceeds current payment)
 - Loan Estimate
 - Underwriting Analysis (1008)
 - Closing Disclosure, *which includes the City's \$280 Subordination Fee.*
 - Payoff Demand Statement
 - Release and Authorization for the City of Tustin (Form is available under Subordination Requirements of the Resource Documents page.)
 - A copy of the title report showing that taxes have been paid, the statement of identity has been provided, and any exceptions identified in the Preliminary Report have been eliminated. **(NOTE: The title report must be a Full Title Search, not an abbreviated search. The Recorded Affordable Housing Agreements must be listed.)**
- At no time can the homeowner obtain any type of lien against the property (i.e., Equity Line of Credit). The only permissible liens will be the new first mortgage/deed of trust to which the City is being asked to subordinate and the City silent second.
- When preparing a subordination agreement, the City agrees to be subordinate to new first mortgage with the condition that the first mortgage is subordinate to the affordable housing covenant which is on the property.
- For final approval, the lender must provide the following:
 - a copy of the fully executed proposed Promissory Note, Deed of Trust, and Escrow Instructions (Promissory Note and Deed of Trust may be submitted with completed fields and no signatures from borrowers) - please note that both of these documents must be submitted in order for the City to approve a Subordination Agreement.
 - Any other Agreements between the borrower and lender
- The City will prepare the Subordination Agreement and the City's Request for Notice of Default.

Please allow at least seven (7) business days from the day the preliminary paperwork is submitted for approval, seven (7) business days from receiving all final documents to prepare the Subordination Agreement and Request for Notice, five (5) business days for approval from the Housing Authority's Special Counsel and three (3) business days for the City to sign and approve the Subordination Agreement.

NOTE TO LENDER: The City loan is for a 45-year term from original date of sale and cannot be paid off at any time during that period and the homeowner is not required to make any payments on the loan. In essence, this is a silent second mortgage.

Submit documents to:
Tustin Housing Authority

***During this time, the Preliminary Approval Package may be emailed to JHernandez@tustinca.org
(714) 573-3133**