



## Community Development Division

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Child Care  
Community Resources  
Community Development Block Grant  
Madison Senior Center

## City of Madison Community Development Division Loan Subordination Policy Residential Guidelines

The City of Madison Community Development Division (CDD) will consider a loan subordination request where the subordination results in one of the following:

1. Non-cash out simple refinance, such as interest rate reduction and/or there is a mortgage loan product change (e.g. when a balloon or adjustable rate mortgage (ARM) matures and the owner switches to a fixed product). The new first mortgage loan cannot exceed the current mortgage loan balance secured ahead of the CDD loan (excluding reasonable lender fees).
2. Cash out refinancing where the project owner/borrower seeks to use their appreciation for home property improvements and/or medical emergencies only.
3. The Community Development Grants Supervisor or designee is authorized to approve such request where the City's financial position improves or remains unchanged from original approval.

### **Conditions for Consideration on Single Family Property:**

- A fully completed Subordination Request package must be completed by the lender and emailed to the CDD at [homeloans@cityofmadison.com](mailto:homeloans@cityofmadison.com). Checklist can be found at [https://www.cityofmadison.com/dpced/community-development/documents/SUBORDINATIONchecklistResidential1023\\_0.pdf](https://www.cityofmadison.com/dpced/community-development/documents/SUBORDINATIONchecklistResidential1023_0.pdf)
- The lender will be responsible for filing the subordination documents and paying for filing fees. Subordination fees are \$150 for no cash-out or \$250 for cash-out refinance only for home improvement.
- The CDD loan shall be in no less than second position. (May occasionally allow subordination to third position; for example, when doing a Home Equity Line of Credit (HELOC) for home improvements or medical emergencies.)
- Must be current with property taxes.
- A commitment letter will be required from the mortgage lender detailing the term and condition of the new loan, total loan amount, interest rate and loan product. If there is a Land Use Restriction on the property, the letter must state that the mortgage holder understands the restriction will remain in place until the period of affordability has been completed.
- The combined loan to value (CLTV) on the property cannot exceed 80% CLTV for any cash-out refinance. (70% CLTV for loans with City Property Tax Assistance for Seniors (PTAS) or Special Assessment (SA) Loan. NOTE: PTAS cash-out does not have to be used for home improvements or a medical emergency.) A copy of an appraisal or documentation used by the first mortgage lender to determine value dated no more than six month from the time of the subordination request must be submitted to verify value.

- Use of cash out proceeds must be for home improvement or medical emergencies only: (Note: exception allowed for Property Tax Assistance loan, do NOT have to use cash out for home improvements or a medical emergency.) **Borrower must sign a statement stating cash-out funds are being used for home improvements or medical emergencies only. (Not applicable for PTAS.)**

### **Administration and Appeal**

The CDD will require a minimum of 10 business days to review documents and make a determination to approve/disapprove. CDD staff will provide a final written underwriting decision to project owner/borrower/lender. If approved, the Mayor's authorized signature of the Subordination Agreement will require an additional 10 business days.

Any appeals of a loan subordination decision shall be made to the CDBG Committee. [See Appeals policy.](#)