



# CITY OF RIALTO

## RIALTO HOUSING AUTHORITY

### SUBORDINATION POLICY

The City of Rialto and the Rialto Housing Authority, acting as housing successor to the Redevelopment Agency of the City of Rialto, (collectively known as “Rialto”) will subordinate a loan funded through its housing funds only under certain terms and conditions.

Rialto will permit a one-time refinance and subordination of its deed of trust under the following conditions:

- ✓ The homeowners is refinancing their first mortgage to receive a lower fixed interest rate and decrease the monthly housing expense, and
- ✓ The new loan does not provide for cash out, and
- ✓ There are no balloon payments or pre-payment penalties, and
- ✓ The loan-to-value ratio of all loans including the Rialto’s loan will not exceed the values as required for the program that applied to Rialto’s loan.

The new loan amount may only **increase by no more than 3.5%** over the current balance of the existing loan in order to cover closing transaction costs. Closing costs must be reasonable and can include fees for appraisal, loan discount, loan origination, credit report, recording, tax service, title policy, escrow, notary and reconveyance. The new loan **may not include costs** related to impound accounts for insurance and property tax, premium for mortgage insurance, unpaid mortgage payments for the existing loan or other prepaid expenses.

The following information is required to consider a request for subordination:

1. Prepared Letter to include the following:
  - a. Purpose for the refinance;
  - b. Amount of new loan (Rialto will not subordinate it’s loan if new loan illustrates a cash out);
  - c. Balance of current loan;
  - d. Current loan type and new loan type (must be fixed rate for term of mortgage);
  - e. Current interest rate and new interest rate;
  - f. Current monthly payment (P&I) and new monthly payment (P&I);
  - g. If there is an increase in the first principal loan amount, what will the increase costs pay for?
  - h. What is the loan to value ratio; and
  - i. Provide amount of original First Trust Deed.
2. Provide a recent property appraisal, if applicable.
3. Provide a preliminary title report
4. Have homeowners(s) sign Subordination Policy Acknowledgement (attached).
5. Provide a “completed” Subordination agreement that is ready for signature.
6. Copy of Loan Application (1003).
7. Copy of Current Credit Report.

8. Good Faith Estimated Settlement Statement.
9. Borrower's Gross Household Income.

After the close of escrow, the following documents need to be forwarded to Rialto:

1. Copy of the signed First Trust Deed Promissory Note
2. Copy of the signed First Trust Deed
3. Copy of the HUD 1 Settlement Statement

The information may be mailed to:

**City of Rialto/Housing Authority  
Development Services Department  
Housing Division  
150 S. Palm Avenue  
Rialto, CA 92376  
(909) 820-8013**

Please allow a minimum of **30 working days** for processing of subordination upon Rialto's receipt of all information.

Rialto reserves the right to deny any subordination request if it believes that the subordination would not be in the best interests of the organization. It also reserves the right to make exceptions to this Policy in the event that such exceptions will not affect Rialto's security interest in the property in question.

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### ACKNOWLEDGMENT

#### First Mortgage Subordination Policy

The purpose of this policy is to set forth the terms and conditions under which The City of Rialto and the Rialto Housing Authority, acting as housing successor to the Redevelopment Agency of the City of Rialto (collectively known as “Rialto”), will subordinate to a refinancing of a new First Mortgage Loan. Rialto will only agree to subordinate its position one time to refinance a new First Mortgage when the intent of said refinance is to achieve the following: 1) the homeowner is refinancing the First Mortgage Loan to obtain a lower fixed interest rate; 2) Rialto’s security is not diminished from its original position; and, 3) that such refinancing decreases the homeowners monthly housing expense and/or the amortization schedule.

Rialto’s policy is more fully described below:

1. If a conventional First Mortgage Loan is being refinanced and a subordination is requested, then the refinance cannot increase the amount of the then outstanding debt against the property except to cover the usual and customary fees\* related to said refinance. In no event shall the total of all monetary encumbrances (including the Rialto’s Trust Deed(s) on the property) exceed the amount as allowed in the Subordination Policy.
2. If a refinance is an FHA streamline for decreasing the interest rate, then the refinance cannot increase the amount of debt against the property in any way whatsoever. Lender normally pays all costs associated with FHA streamline. If the Lender does not cover certain costs, then the homeowner shall be responsible to pay such costs.

\*Customary Fees = appraisal fee, loan points, credit report fee, recording fees, tax service, title policy, escrow fee, notary fee and reconveyance fee.

The homeowner(s) hereby acknowledges and understands Rialto’s Subordination policy.

\_\_\_\_\_  
Homeowner

\_\_\_\_\_  
Date

\_\_\_\_\_  
Homeowner

\_\_\_\_\_  
Date