NEIGHBORHOOD FINANCE CORPORATION
SUBORDINATION GUIDELINES

A NFC Advantage Loan typically includes a repayable primary mortgage paired with additional subordinate loans. This may impact a borrower when they chose to refinance their NFC loan or apply for additional mortgage loans after closing their NFC Advantage Loan.

If a NFC borrower chooses to refinance their NFC Advantage Loan or receive a second mortgage in the future, their new lender may request that NFC provide a subordination of one or more of NFC's loans.

Subordination of NFC's 2% interest, 10-year term loans made with Purchase and Refinance Loans, Neighborhood Reinvest deferred down payment loan and Forgivable Loans for renovations and closing costs

It is the policy of NFC to subordinate these liens to new lenders to accommodate our borrower's under the following circumstances:

1) Rate/term refinance, with no cash out or debt consolidation.
2) For a Home Improvement Loan (term loans for a documented home improvement) or when cash out funds from a refinance loan is used for further home improvements. The following documentation must be provided:
    a) Copies of bids equal to amount of cash out
    b) If NFC provided a downsizing grant (i.e. borrower received a $20,000 forgivable loan to bring the property to a single-family home), we may require NFC distributing the funds from a renovation escrow account.
1) The borrower must have one-year of payment history on the NFC loan before NFC will subordinate to a new home improvement loan (second mortgage).
2) The Loan to Value (LTV) cannot be more than 95% on the new loan and NFC's 2%, 10-year term loan, and 105% on all loans including forgivable and deferred loans.

NFC will consider exceptions to our policy with clear documentation in the following situations:

1) Troubled loan – NFC may subordinate to allow payoff of a troubled loan, even when the borrower is consolidating debt, as that may be necessary for the borrower to qualify for other credit. This may include:
    a) Cash-out payments to spouses in divorce situations.
    b) Chronically delinquent loans, in foreclosure, or in danger of foreclosure.
    c) Borrower hardship – Even when the borrower is consolidating debt, if there is genuine borrower hardship, such as job loss or illness that has reduced household income or created unmanageable obligations.
    Documentation: Please provide a letter from the borrower and documents that confirm the hardship.

2) Borrower equity – If borrower's loan was for home improvement or had been a home purchase loan where the borrower had made a large cash down payment, NFC may allow debt consolidation or cash out in an amount equal to borrower's original equity. This does not include equity gained through property improvement funded by NFC, equity gained from purchasing a home for less than the "as is" value, or general property appreciation.

The Subordination will not be approved in the following circumstances:

1) Borrower is taking out cash or doing a debt consolidation (unless subordination approved per conditions stipulated above).
2) NFC renovation project is incomplete. If the project is complete; the renovation account with NFC must be closed and the remaining funds will be returned to the forgivable loan source or the repayable loan principal, as applicable.
3) Generally, NFC will not approve subordination for a Home Equity Line of Credit Loan (HELOC) unless it meets the guidelines stated above.
4) When the borrower has a NFC first and second mortgage at the same rate and term, NFC is not able to subordinate the NFC second mortgage to a new second mortgage. NFC can subordinate the second mortgage for a refinance of the first mortgage, according to all other subordination policies.

Note for lenders:

NFC grants lenders permission to fill in their name, the new loan amount, the new mortgage county recording information, and the date of the new mortgage.

Fee for Subordination:

$100 for one mortgage and $150 for two mortgages.

This fee may not be able to be charged to the borrower. Each financial institution will need to determine if this is allowed per their regulator and be prepared to pay the fee if required.

To request a subordination, the new lender should email clynch@neighborhoodfinance.org with a written request and attach the following documents - Form 1003 Loan Application, Loan Estimate, a Borrower's Authorization to Release Information, and any supporting documents.